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REDUCTIONS IN SOCIAL SECURITY BENEFITS: THE NOTCH

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HEARING

BEFORE THE

SELECT COMMITTEE ON AGING
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

OCTOBER 15, 1985

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REDUCTIONS IN SOCIAL SECURITY BENEFITS: THE NOTCH

TUESDAY, OCTOBER 15, 1985

HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
Washington, DC.

The committee met, pursuant to notice, at 12:15 p.m., in room 345, Cannon House Office Building, Hon. Jim Lightfoot (acting chairman of the committee) presiding.

Members present: Representatives Lightfoot, Daub, and Dymally.

Staff present: Geo. Allen Johnston, majority staff director; Lowell Arye, deputy staff director; Deborah Weisberg, legislative assistant; and Tara Lynn Bell, intern of the Subcommittee on Retirement Income and Employment.

OPENING STATEMENT OF REPRESENTATIVE JIM LIGHTFOOT

Mr. LIGHTFOOT. The meeting will come to order, please.

I would like to welcome all of you this afternoon, and I am very glad to be here among this group of fine notchers who we understand have already had some time out on the Capitol steps this morning.

The acoustics in this room leave something to be desired, so we will try to speak louder. I regret Mr. Roybal could not be here today to chair the hearing, but he is on the Red Eye and will meet with you tomorrow.

He received a very nice honor in his home State of California, and therefore, needed to be there. I am very privileged to fill in for Mr. Roybal.

We are about 4 minutes late getting started, and we have to vacate this room by 1:30 p.m., so we will shut it off at approximately 1:20 p.m. This will give you an idea of where we are going.

I would like to express my thanks to the chairman, Mr. Roybal, for his leadership on this issue. He has offered a bill, H.R. 1917, which has garnered more support than any other bill in Congress which deals with the notch problem.

I and 103 Members of Congress from both political parties have cosponsored this bill which eliminates the disparity in benefits by stretching out the transition formula created under the 1977 Social Security Amendments.

Because you know about the notch and how it was created, there is not much point in talking about that today. I would like to commend the people who are here. Many of you have traveled great

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distances to express your dissatisfaction with Congress' action on the notch.

I even recognize some familiar faces in the crowd: Daryl Cooper, from my own district in the southwestern corner of Iowa, which is a little over 1,200 miles away from here.

I can tell you are serious about the notch, and you won't let this issue die. This is evidenced by the thousands of petitions you have delivered to us today. These signatures have taken a lot of effort to gather and will make people aware of this unfair situation.

It is kind of interesting—a man from the press asked me earlier, "What does notch stand for?" Most things around here are an acronym. Unless we know what n-o-t-c-h stands for, we will have to use that as a description at this time.

In my own district, I have a persistent group of people who are spearheaded by Daryl Cooper, who we will hear from a little bit later on.

These people have worked on this issue full time since 1983, when they formed their grassroots organization. Daryl has conducted notch meetings all across the State of Iowa and into adjoining States as well. He communicates regularly with groups around the country, such as Pennsylvanian Anthony Purcell.

The petitions you brought us today will help, and your presence on Capitol Hill will help also. Your continued efforts back home will encourage more action on this situation.

H.R. 1917 has more cosponsors than it had in the 98th Congress, and more Members are adding their name to the bill each week.

The American Enterprise Institute released a good analysis of the notch, and if you have not read this timely report, I would encourage you to do so. It makes many good points about the arbitrary nature of the notch, and why Congress might consider fixing it.

Finally, it looks like a panel of experts will be studying the notch and submitting a report to Congress in 1986. This provision, which has been successfully attached to a Senate bill by the senior Senator from Iowa, Mr. Grassley, and offered in the House by Mr. Tauke, calls for a special study on the notch, which is more than we have so far.

You realize we cannot let up on the pressure now, and we must continue to bring this issue to the attention of Congress. We can best do this by continuing to enlist the help of people affected by the notch and help them realize this is a gross injustice to the Social Security recipients.

It increases the belief in the young and in the old that they will not receive their fair share and rightfully earn Social Security benefits. I would like to thank all of you for coming to Washington to protest the unfair benefits you have received, and encourage you to continue with your efforts.

You have friends here in Washington, as evidenced by the bipartisan support which many of the notch bills have received, but much more support is needed if Congress is to act on the issue.

I look forward to hearing from many of you personally today. I would like to read portions of statements of several Members.

The first one is from our chairman, Mr. Roybal, from California. He says:

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Even though the notch was unintended and even though it is clearly unfair, the leadership and initiative for correcting this problem have come from you. It is because of your efforts that we have 104 bipartisan cosponsors for H.R. 1917.

It is because of your efforts that the Senate may soon pass legislation to require an official study of the problem and possible solution. It is because of your efforts that national newspapers have begun to debate this issue on their editorial pages.

So we are making progress. Not as much as we want, nor as fast as we want, but we are making progress. And I assure you that I will continue to represent your concerns in the Congress for as long as it takes to produce a fair resolution of this problem.

[The prepared statement of Representative Edward R. Roybal follows:]

PREPARED STATEMENT OF CHAIRMAN EDWARD R. ROYBAL

Good day and welcome to this hearing of the House Select Committee on Aging. I have called this hearing today to show my solidarity with the hundreds of senior citizens who have come to Washington to demand action to correct an obvious inequity in Social Security law called the "Notch." You have a right to be angry.

There is simply no justification for doing nothing to correct a law that can reduce someone's benefits by $160.00 a month simply because she was born in February 1917 instead of December 1916. But that, in fact, is exactly how current law has affected Darlyne Frazeur who testified at our Iowa hearing last fall. And there is no reasonable defense for a law that pays a woman 22 percent less than her husband even though she paid Social Security taxes on 23 percent more earnings than he did. But that is exactly what the Notch does to Florence Kinkella of Southern California because she was born in 1919 while her husband was born in 1914.

This year's average worker retiring at age 65 will receive benefits which are $133 a month less than an average 65 year old worker who retired in 1981. Even our opponents admit that this difference in benefits between Notch babies and their older brothers and sisters is much larger than anyone imagined it would be when the 1977 legislation was enacted.

Despite the obvious inequities of the Notch and the estimated $450 billion in surpluses projected for the Social Security system over the next decade, the President and the Congress have spent most of the year debating whether or not Social Security benefits should be cut further in order to solve the deficits in the rest of government. Fortunately, it appears that we have won that battle and prevented further cutbacks. And I am hopeful that we shall also succeed in moving Social Security off-budget and restoring it as an independent agency so that Social Security decisions are based on sound Social Security principles.

Despite our concentration on other issues, your efforts have kept the Notch issue alive and well. This is confirmed by the American Enterprise Institute (AEI) in a recently released legislative analysis entitled "Proposals to Deal with the Social Security Notch Problem." It gives you the credit for keeping Congress' attention focused on this issue by beginning its report with the statement that "Members of Congress regularly confront a multitude of Social Security problems. In recent years, however, none has plagued them more in town meetings and constituent mail than the Social Security Notch problem."

This 30 page report takes an unbiased look at how the problem was created and analyzes the current legislation. It also does a good job in explaining how the Notch occurred and how ill informed Congress was of its effects. I recommend the AEI report to all who are concerned with this issue and, with AEI's permission, I intend to submit the entire report for the record.

Even though the Notch was unintended and even though it is clearly unfair, the leadership and initiative for correcting this problem have come from you. It's because of your efforts that we have 104 bipartisan cosponsors for H.R. 1917. It is because of your efforts that the Senate may soon pass legislation to require an official study of the problem and possible solution. It is because of your efforts that national newspapers have begun to debate this issue on their editorial pages.

So we are making progress. Not as much as we want, nor as fast as we want but we are making progress. And I assure you that I will continue to represent your concerns in the Congress for as long as it takes to produce a fair resolution of this problem.

I want to express my appreciation to Congressman Jim Lightfoot for convening this hearing in my absence. Unfortunately I have a prior commitment back home in California which prevents me from being here with you today. However, I am re-

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turning a day early to meet with Anthony Purcell, Effie Hetrick, Daryl Cooper, Julian Stern, and Julia Socha and other grassroots leaders tomorrow afternoon.

Mr. Lightfoot has shown that he is a special friend of those of us wno want to correct the Notch problem. His efforts in generating support among the members of his party have been very helpful in demonstrating that there is growing bipartisan support for correcting the bipartisan errors which produced the Notch problem. I know Mr. Lightfoot had to re-arrange his schedule to be here today and I appreciate his efforts in allowing the Committee to convene a hearing today.

So again, I commend you for your efforts and I look forward to meeting with your leaders tomorrow.

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SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES
EDWARD R. ROYBAL, Chairman

MEMORANDUM

HOW H.R. 1917 ELIMINATES THE NOTCH

BY STRECHING OUT THE TRANSITION TO THE 1977 AIME BENEFIT FORMULA

The new 1977 AIME formula was expected to reduce and then stabilize benefit levels*. The reduction was originally predicted to be about 8.7 percent. To protect people from such a sharp decline in one year, the 1977 Amendment incorporated a transition formula which would phase in the expected 8.7 percent reduction in benefit levels over 5 years (e.g. for persons born between 1917 and 1921). Unfortunately, the phase in formula did not work as expected for three reasons:

First, the true reductions were larger than the Congress was told. Immediately after the enactment of the legislation, SSA estimated that benefit levels would be reduced 11.5 percent rather than the 8.7 percent Congress expected;

Second, the transition formula itself was flawed because it exempted earnings after age 61 from the computation and because it was designed to work only under good economic conditions;

Third, economics ended up being much different than projected.

The final result of these errors and underestimates was that the actual reduction in benefit levels reached 24.1 percent— almost three times the size of the expected reduction. In fact, the first year reduction which affected those born in 1917 was larger than the entire reduction Congress anticipated (10.4% versus 8.7%).

Chairman Roybal's bill prevents these reductions by essentially paying the same dollar amount of benefits to all people born after 1916. This is best illustrated by comparing the benefit amounts paid to the maximum wage earners (i.e. someone equivalent to today's $40,000 a year executive) with various years of birth under current law and the Chairman's bill.

Born	H.R. 1917	Current Law
1916	N/A	$866
1917	$897	781
1920	894	716
1925	904	770
1930	904	845
1935	904	946

Under current law there is a dramatic reduction in benefits during the Notch years and then a slow growth in benefits for persons born after 1921. This slow growth occurs because the AIME formula allows benefits to increase based on the amount by which wages increase. This has traditionally been one or two percentage points more than inflation.

The Chairman's bill produces maximum benefits of about $900 for everyone born after 1916. This is about 4% more than the benefits paid to persons born in 1916. All benefits paid under H.R. 1917 would be increased to cover changes in inflation.

Since current law allows future benefits to grow faster than inflation, it eventually, produces higher benefits than Mr. Roybal's. This is expected to occur for all maximum earners born after 1932. Therefore the Roybal bill's transition protects all high income people born between 1917 and 1932 from any reduction in benefits.

Average and moderate income people receive even more protection because there is some benefit growth for them under H.R. 1917. Average earners born between 1917 and 1945 are protected by Mr. Roybal's transition formula.

Therefore, H.R. 1917 would replace current law's faulty five year transition with a transition period of 15 years for maximum earners and 28 years for average earners.

Prepared for Chairman Roybal by Allen Johnston, Staff Director Subcommittee on Retirement Income and Employment (202) 226-3335 7/26/85

*Benefit levels are the same as "replacement rates"

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SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES
EDWARD R. ROYBAL, CHAIRMAN

MEMORANDUM

OASDI TRUST FUND BALANCES

ASSUMING PASSAGE OF H.R. 1917

(in billions)

End of Calendar Year	Current Law Increase in Trust Fund	Less Cost of H.R. 1917 1/	Trust Fund Balance
1985	4.5	-0-	35.6
1986	6.8	11.3	31.1
1987	9.4	22.0	18.5
1988	33.1	13.3	38.3
1989	41.9	16.1	64.1
1990	55.1	19.1	100.1

- Between 1985-1990 Social Security Trust Funds are expected to increase by $150.8 Billion — from $31.1 Billion to $181.9 Billion. The cost of H.R. 1917 through 1990 (including retroactive payments) is $81.8 or about half the expected increase.
- Even if H.R. 1917 is passed, Social Security Trust Fund assets will nearly triple by 1990 from $35.6 Billion at the end of 1985 to over $100.00 Billion at the end of 1990. In 1990 alone, Social Security income will exceed outgo by $36.0 Billion even if H.R. 1917 is enacted.
- After 1990, annual surpluses in the Trust Funds will continue to increase. By 1994, the Trustees project that the current law annual surplus will be $89.3 Billion and that the total Trust Fund balance will be $482.7 Billion. Even with the passage of H.R. 1917, the 1994 surplus would be more than $50 billion with total reserves in excess of $300 Billion.

1/ Assumes passage of bill in 1986 with 1/2 of retroactive payments for 1979-1986 made in 1986 and other half made in 1987

Prepared by staff of the Subcommittee on Retirement Income and Employment, based on Social Security Actuaries estimates and the 1985 Trustees Report. 10/30/85

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Mr. LIGHTFOOT. Also, from Representative Barney Frank from Massachusetts:

The notch affects the generation which struggled as young people during the Great Depression to get an education and which as young adults were asked to suspend their personal plans and risk their lives to fight in World War II.

Much has been asked of "the notch" age generation, and they have given willingly, but we should not ask them to take a reduction in their Social Security benefits.

Without objection, we will enter Mr. Frank's statement.

[The prepared statement of Representative Barney Frank follows:]

PREPARED STATEMENT OF REPRESENTATIVE BARNEY FRANK

Mr. Chairman, I commend you for convening this hearing, so that we may have the benefit of testimony from groups across the nation directly effected by the Notch, Social Security benefit reduction. I regret that I am unable to attend in person due to previous commitments in my District, but I welcome the occasion to share with you some of my thoughts on the Notch and the progress the Congress may make to correct this inequity.

I continue to work for fair social security benefits to individuals born between 1917 and 1921, because I think it is essential that everyone receiving Social Security benefits be treated equally regardless of the year of their birth. It is important that the Social Security System maintain its integrity with all Americans and particularly older Americans who have made many sacrifices in their lives for this country. The Notch effects the generation which struggled as young people during the Great Depression to get an education and which as young adults were asked to suspend their personal plans and risk their lives to fight in World War II. Much has been asked of "The Notch" age generation, and they have given willingly, but we should not ask them to take a reduction in their Social Security benefits.

Since 1983, when I with Chairman Roybal, Rep. Rinaldo and Rep. Chris Smith first introduced legislation, H.R. 4093, to repeal the Notch by lengthening the transition period to the new system and liberalizing benefits, we have made good progress on gaining support in the Congress to undo the Notch. In the last Congress 150 members sponsored legislation to correct the Notch. This was very encouraging progress in the face of a large budget deficit. I'm concerned about the deficit and support efforts to reduce it, but I do not think that the deficit should be used as an excuse to avoid undoing the injustice of the Notch benefit formula. In this Congress the concern about the Notch is widespread and bipartisan with H.R. 1917, the new version of H.R. 4093, attracting the most support. Evidence of our growing success in correcting the problem may be viewed in the recent action of the Senate Finance Committee. Senator Grassley attached an amendment to the Finance Committee's reconciliation package to establish a special panel to make a one year study of the Notch problem and possible legislative solutions. This is identical to H.R. 3359 in the House, introduced by Rep. Tauke. I also must note that we must be having some impact, because the American Enterprise Institute, with which I often disagree, has published an authorative legislative analysis on the Notch problem.

The Notch formula is not equitable and it will cost us some money to correct it, but funds can be made available from other sources. I introduced legislation in the last Congress and again in this Congress with Chairman Roybal to lift the earnings cap on Social Security taxes. Under current law the highest income earners over $40,000 pay no social security taxes on earnings over $40,000. If the zero bracket were eliminated and everyone paid the same effective rate, we could reduce Social Security payroll taxes for 94% of working Americans and add $30 Billion to the trust fund. It is important that all Americans young and old view Social Security benefits and taxes as fair.

Mr. LIGHTFOOT. Finally, from Mr. Bilirakis from Florida:

Although I am not in Washington, I want you all to know that I am with you in spirit, and join you in my outrage to the unfair and discriminatory period in the Social Security system commonly known as the notch.

Without objection, we will enter the rest of Mr. Bilirakis' statement, and statements of Representatives John Paul Hammerschmidt, Olympia J. Snowe, Nick J. Rahall II; and a statement by

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Robert J. Myers, on behalf of the Committee on Social Insurance of the American Academy of Actuaries.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, October 9, 1985.

Mr. ANTHONY PURCELL AND NOTCH BABIES,
c/o Notch Babies, Pittsburgh, PA.

DEAR MR. PURCELL AND FRIENDS: I want to take this opportunity to welcome you and your fellow Notch Babies to Washington!

I am sincerely sorry that I am not able to be with you today but, as I am sure you are aware, October 15 is a part of the District Work Period, and I have had a long-term commitment for a Town Meeting in my Florida District that I could not postpone.

Although I am not in Washington, I want you all to know that I am with you in spirit and join you in voicing my outrage and opposition to the very unfair and discriminatory period in the Social Security system commonly known as the "notch." As a former member of the House Aging Committee and as a Member representing a District consisting largely of senior citizens, I have, as you may know, been involved in efforts to eliminate this discriminatory period since my first election to Congress in 1982. In this light, I have introduced a "notch" correction bill in both the 98th and 99th Congresses for consideration.

In this Congress, my bill is known as H.R. 65. It would amend Title II of the Social Security Act and rectify this terrible injustice by eliminating the five-year transition period from the old to the new formulas which determine monthly Social Security benefits. Rather, H.R. 65 proposes that we go directly from the old to the new formula, beginning with individuals born in 1921, rather than subjecting persons born between 1917–1921 to a special, complex formula which results in them receiving less benefits due to the year in which they happened to be born.

I am very hopeful that efforts to correct this unfair situation will soon be successful so that we may begin to restore the benefits which our senior citizens have worked hard for and depend upon. In this light, I would like to commend you all for undertaking the time and expense to come to Washington and make yourselves heard. Your involvement and initiative is truly a tribute to the American ideal of citizen participation in government. Please rest assured that you have my undying commitment to your just cause, and my word to continue to do whatever is in my power in working with my colleagues to ensure that this discriminatory period is not allowed to continue.

Best regards.

Sincerely,

MICHAEL BILIRAKIS,
Member of Congress.

PREPARED STATEMENT OF REPRESENTATIVE JOHN PAUL HAMMERSCHMIDT

Mr. Chairman, thank you for holding this hearing today so that we can discuss the Social Security "notch" and its effect on beneficiaries.

I think that most of us here today would agree that this issue has caused a lot of confusion and misunderstanding. It's unfortunate that even eight years after Congress corrected the flaw in the 1972 computation of benefits, many recipients still mistakenly believe that the benefit structure favors persons born after the "notch" years.

I wish that those of us in Congress could find a way to correct the imbalance that would be fair to everyone without jeopardizing the solvency of the Social Security System. As I see it, the only available options are to reduce benefits to persons already receiving benefits under the old law, or to continue to pay higher levels in the future. Congress has repeatedly indicated that it will not support retroactive cuts to current beneficiaries, and we cannot afford to finance the double indexing mistakes of the 1972 Social Security Amendments. At this point, it appears likely that the 1977 amendments to the Social Security Act will continue to be the guideline by which benefits are computed.

I'm looking forward to today's discussion of the "notch", and hope that it will lead to a clearer understanding of its effect on benefits.

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PREPARED STATEMENT OF REPRESENTATIVE OLYMPIA J. SNOWE

Thank you Mr. Chairman. I appreciate the opportunity to learn of the concerns of those who have been affected by the notch problem. I understand how frustrating it is to receive benefits which are significantly smaller than those of a friend or family member who, by virtue of being born only a few months earlier, is eligible for higher benefits.

All of us know, only too well, how we arrived at this situation. Congress attempted to provide a cost-of-living increase for Social Security beneficiaries but, because of a miscalculation, new retirees began receiving benefits based on a double increase formula. In order to rectify the problem, the system was "decoupled" and a phase-in provision was added which affects those born after 1917. In brief, that is the "notch" problem. Now, the question we must address is what do we do to solve this problem in a way that is both fair and fiscally reasonable.

Today, the witnesses are the experts. I look forward to learning what can be done to deal with this serious inequity.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, October 10, 1985.

Mr. TONY PURCELL,
"Notch Babies Organization," Pittsburgh, PA.

DEAR MR. PURCELL: This is just a brief note in regard to the "Notch Babies" rally which is scheduled to take place on Tuesday, October 15, 1985 at 10:00 a.m. on the West front of the Capitol in Washington, D.C.

Mr. Purcell, it is with pleasure that I offer my support to your effort to increase public knowledge of the "notch" phenomenon. I have given my strong support to legislative efforts to correct this flaw, and you may be assured of my continued support of such efforts.

Please find enclosed two petitions which were sent to me by one of my constituents, Mrs. Jackie Withrow. Per her request, I have also forwarded a copy of these petitions to Congressman Roybal. It is my hope that some of my fellow West Virginians will be able to join you in Washington, however, if this is not the case, at least you know that they join you in your effort and are working with you on this issue.

May I offer my best wishes for a successful rally, and a productive visit to Washington.

With warm regards, I am
Sincerely,

NICK J. RAHALL II,
Member of Congress.

PREPARED STATEMENT BY ROBERT J. MYERS, ON BEHALF OF THE COMMITTEE ON SOCIAL INSURANCE OF THE AMERICAN ACADEMY OF ACTUARIES, WITH REGARD TO THE SOCIAL SECURITY BENEFIT NOTCH PROGRAM

This statement is presented on behalf of the Committee on Social Insurance of the American Academy of Actuaries, to provide technical background with regard to the Social Security benefit notch problem, and to furnish comments on the solution proposed in H.R. 1917.

The 1977 Social Security Amendment drastically changed how benefits are computed. Otherwise, in the absence of legislative change, benefits could have eventually exceeded pre-retirement pay. The old method was continued for persons reaching age 62 before 1979 (born in 1917). The new method applied for those reaching age 62 after 1978. An alternative method, if more advantageous, was made available to 1917-21 births.

It was known during consideration of the proposed legislation that a "notch" would occur between those born before 1917 and those born later, but it was not expected to be large. Some persons argued then that the same approach should be used regardless of year of birth, which would have largely eliminated the "notch". However, the Social Security Administration, because of problems with antiquated computers, argued for treating the two groups differently.

The economic experience after 1977 made things worse then predicted. The difference in benefits was not large for people retiring at age 62. However, for persons retiring at age 65, those born in 1916, have benefits which are as much as $100 per month more than those born in 1917 who have similar earnings histories.

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This, of course, seems unfair to those born after 1916. However, another way of looking at it is that some of those born earlier are receiving windfalls. Those born later are equitably treated and receive reasonable amounts (far more than "actuarially purchased"). It would not be humane to decrease benefits for those already receiving benefits, and there would be tremendous administrative difficulties in locating in the records those who were born before 1917 and are receiving windfalls (because by no means all persons from before 1917 are receiving windfalls) and then to determine the amounts of the windfall.

If benefits were to be increased for the so-called "notch-year babies," even on a phased-down, gradual basis, so that a new notch would not develop, the cost of the program would be greatly increased. For example, under a somewhat similar proposal made in 1983, there would be increased outgo of somewhat more than $90 billion in 1983–90 alone, and the long-range cost of the program would be increased by about 0.4 percent of taxable payroll, under intermediate cost estimates.

One erroneous view of the "notch" is that those born in 1917–21 are worse off than those born later. This is not true, because the benefits for those two groups are comparable. If anything, those born in 1917–21 have an advantage because of the availability of the special alternative method of computation.

Mr. LIGHTFOOT. At this time, we have Congressman Hal Daub who will present his testimony.

STATMENT OF REPRESENTATIVE HAL DAUB

Mr. DAUB. It is good to see you this morning. I appreciate the leadership you have taken to allow this issue to have the light of day on Capitol Hill, and I am sure all of those who have traveled here from a number of States around the country as we will appreciate the interest you are showing in this issue, and the leadership that you are giving to what I think in 1977 was conducted by that Congress that transacted a very arbitrary, very discriminatory and capricious kind of a choice, applied it to folks very near to their retirement days, and did not have the opportunity to cushion the effect of it with enough time intervening the change by Congress to plan for the loss and benefits that afflicted about 6 million Americans that are residents today inside of the parameters of what is referred to as the notch.

As a former member of the Select Committee on Aging, and a current member of the Ways and Means Social Security Subcommittee, I appreciate this opportunity to talk about the Social Security notch.

I also, as I said, want to commend you for the very diligent efforts that you have undertaken on behalf of those afflicted by this creation of the 95th Congress in 1977.

To give the public and Members of Congress access to a broad range of information on this inequity, I would like to begin by inserting the following into the record, if I may.

Ways and Means Social Security Subcommittee Chairman Jim Jones' views on the notch and his correspondence with Representative Edward Roybal regarding consideration of H.R. 1917.

[The information follows:]

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, DC.

DEAR FRIEND: Thank you for taking the time to share your views on the so-called "notch problem". Much misinformation has been circulated and I appreciate this opportunity to set the record straight.

The "notch", rather than a problem, was part of the solution to the rapid increase in social security benefits that occurred after Congress decided in 1972 to index social security benefits giving social security beneficiaries of cost-of-living increase

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every year. At the time, it was not realized that, as a side effect of this indexing, new retirees would begin receiving benfits that reflected the same period of inflation twice (once in career wages and again in computing benefits). This double-benefit increase meant that overall benefit levels increased far more than anyone had ever anticpated, and much more than the social security system could afford. It also meant that if left unchecked a good number of folks would soon have been getting benefits higher than the wages they earned while working.

Congress could not ignore this financial crisis. In 1977, legislation was enacted to "correct" the double-benefit increase that was breaking they system. The resulting formula affects all people born after 1916. I would emphasize that under the new formula the average worker's benefit replaces about 42 percent of his or her pre-retirement lifetime average earnings. This is a higher rate of return than the 35–38 percent received under the formula used from the beginning of the system through the early 1970's.

To protect the interests of individuals nearing retirement, Congress allowed for a period of transition for those reaching age 62 from 1979 through 1983. It has been widely advertised that beneficiaries are losing $100 per month. The transition formula prevents this from happening unless a wage earner contributed at the maximum level throughout his working years.

I honestly do not feel that the problem is the level of benefits now being paid under the transition and new formulas as both result in higher benefits than the historical return. The problem is that a select group of beneficiaries are receiving the advantage of the flawed benefit formula in place between 1975 and 1978. This has resulted in their getting benefits much higher than any group becoming eligible before or since. Congress did not choose to reduce benefits retroactively for these beneficiaries in 1977, and I cannot envision Congress taking that step now.

Even a partial return to the flawed 1972 formula would be terribly costly to the system. It would require today's workers to pay additional social security taxes of more than $90 billion by the end of this decade. It would cost over one-half of the total revenues raised in the 1983 social security financing amendments just to fund these benefit levels through 1990 with escalating costs in the years beyond. It is unrealistic to expect Congress to raise social security taxes this sharply or to endanger the solvency of the trust funds to pay benefits in excess of what has always been deemed reasonable.

I hope this informan will be helpful to you in understanding this situation, and I appreciate your contacting me with your concerns.

With best wishes, I am

Sincerely yours,

JAMES R. JONES,
Chairman.

COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, DC, May 8, 1985.

Hon. EDWARD R. ROYBAL,
Chairman, Select Committee on Aging, U.S. House of Representatives, Washington, DC.

DEAR ED: I am writing in response to the Dear Colleague letter asking for support for H.R. 1917, the "Notch" bill of which you are a consponsor. As Chairman of the Social Security Subcommittee, I am responsible for legislation in this area, and I want you to know that I have taken note of your sponsorship of this bill.

I recognize that the notch issue has been a matter of great controversy for many of your constituents—it has for mine, as well. However, I must point out that the implication in the letter that benefits were suddenly and arbitrarily reduced for retiring workers is somewhat misleading. Overall benefit levels for newly-retiring workers were reduced, but only for those turning age 62 after 1978, that is, for those who were not already eligible for benefits. This step was necessary, as I am sure you know, to correct a flaw in the indexed benefit formula that had dramatically increased initial benefit amounts for people becoming eligible for benefits since 1974, increases which were bankrupting the system. If we had not taken this step, many retirees would soon have been able to receive more in benefits than they earned while they were working, which no one could support as a reasonable retirement policy, at a cost which we could not ask the young workers of today to pay through taxes.

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I also recognize that H.R. 1917 does not completely reverse the 1977 Amendment changes, but rather substitutes a new, longer transition to the new formula, and raises benefits retroactively for those who became eligible under the current transition formula. The 1977 Amendments phased in the new formula over a five-year period in order to soften the impact on newly retiring workers, by giving them benefits based on the higher of two computations: either the old law benefit table frozen at 1978 levels and using only earnings prior to age 62, and/or the new law formula using all earnings, before and after age 62. Because the transition formula does not allow for inflation increases since 1978, the very high rate of inflation for 1979–1982 is not reflected in the benefits of those who became eligible during that period. Thus, the difference between pre-1978 and post-1978 benefit levels is greater than was anticipated when the formula was passed, and this difference has exacerbated concern over the "notch."

However, I must point out that to re-do the transition formula in the way H.R. 1917 calls for would increase payments from the social security trust funds by about *$82 billion over the next five years*, and more in the future. This bill would cost almost one-half of the total revenues raised in the 1983 social security financing amendments, just to fund these higher benefit levels through 1990, with escalating costs in the years ahead. In the 1983 bill, we asked for sacrifices from all Americans—beneficiaries and workers alike—in order to preserve the fiscal soundness of the system and the basic benefit levels of all retirees, and those sacrifices are paying off. The system is gradually regaining a sound financial footing, and we anticipate no problems in paying benefits over the next 75 years. However, we do not have any undedicated surpluses available for increasing benefits—every dollar of surplus going into the trust funds over the next 25 years is already counted on in the long-term to pay benefits beginning around 2020, when the system will have to draw on its reserves.

If we raise benefits now, we have to raise taxes to pay for them, taxes paid by young workers at a time when they already have little faith in the system and question whether their tax contributions will ever earn them a benefit. How can we ask for even higher taxes in order to raise benefits for beneficiaries who *already* draw out in benefits every penny they paid into the system in less than three years? I might also add that most of this increase would go to relatively well-off retirees, those who were able to keep working after age 62, and those at higher benefit levels where the "notch" effect is really noticeable. The tax increases scheduled through 1990 are necessary to preserve the financial soundness of the current system, and therefore I think can be accepted by working people as necessary and appropriate—but I do not believe tax increases to raise benefits will be acceptable.

Therefore, I would ask that your support for H.R. 1917 be matched by support for some means of paying for the legislation. When I can be assured that there is broad, bipartisan support for increasing the taxes of working people, or for cutting other social security benefit expenditures to pay for this benefit increase, then I would be willing to consider taking up this bill in my Subcommittee. Until then, however, I cannot consider action on a bill that would only increase costs and taxes, and thus further erode the public confidence and support for the social security system.

With all good wishes, I am

Sincerely yours,

JAMES R. JONES,
Chairman.

U.S. HOUSE OF REPRESENTATIVES,
SELECT COMMITTEE ON AGING,
Washington, DC, November 5, 1985.

JAMES R. JONES,
Chairman, House Ways and Means Committee, Subcommittee on Social Security, Washington, DC.

DEAR CHAIRMAN JONES: I am writing to you concerning the need to take action on a issue of vital concern to 7 million current retirees and an even greater number of future retirees who feel cheated by a gross inequity in the Social Security law referred to as the 'Notch.'

On October 15, over 200 senior citizens from at least five states conducted a peaceful protest in front of the Capitol demanding that Congress take action to correct the Notch problem. I called a hearing of the House Select Committee on Aging to give these valued Americans an official forum to vent their frustration over the President's apparent lack of concern and the Congress' obvious lack of concrete

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action. At that hearing they presented the Congress with petitions signed by an estimated 130,000 citizens.

These senior citizen protestors, many of whom are veterans of World War II and the Korean War, are angry—and justifiably so. This year's average-earning 65 year old retiree, who was born in 1920, will receive a benefit of $548 a month compared to a current monthy benefit of $681 for average earners born in 1916. This $133 Notch is at least three times as great as Members were led to expect when they were asked to vote on the 1977 amendments.

Last month, the American Enterprise Institute (AEI) published a legislative analyses entitled "Proposals to Deal with the Social Security Notch Problem." This thoughtful analysis confirms that it was never the intent of Congress to create the Notch. However it also confirms that large Notches exist, and would have existed under any economic scenario, primarily because the transition mechanism is flawed.

The House Select Committee oin Aging has conducted eight hearings on the Notch and has established a clear record that these great differences are not theoretical—they are real. Darlyne Frazeur of Iowa loses $160 a month because she was born in February 1917 rather than December 1916. And Californian Florence Kinkella, who has 23 percent more earnings posted to her record than her husband, receives 22 percent less than he does simply because she was born in 1919 while he was born in 1914. I believe these real-life examples are representative of the unjust reductions which have affected hundreds of thousands of retirees born in each of the "Notch years."

Although Congress and the President had to act in 1977 to correct a 1972 error that would unreasonably increase benefits for retirees in the next century, that does not justify the 1977 mistake which unreasonably reduces the benefits paid to retirees in this century. It took us only five years to correct the first error but it has been eight years since the second error was made and yet, we have taken no concrete actions to correct it. With each year of inaction, the justifiable clamor among retirees has grown louder. I believe it will grow louder still.

The evidence from our hearings and the emotions of the people clearly shows that there is a Notch problem. The only remaining issue is how much of the problem we will solve.

I have offered H.R. 1917 as an effective solution to the Notch problem. H.R. 1917 is currently cosponsored by over 110 Members of Congress from both political parties. It prevents any Notch for persons born after 1916 by stretching out the transition to the new formula while also stabilizing long-term replacement rates at the same level as under current law.

I believe we can afford the full restoration of benefit equity envisioned under H.R. 1917, including repayment for all retroactive losses incurred since 1979. Under the II-B economic assumptions of the 1985 Trustees Report, Social Security Trust Funds would grow from approximately $35 billion at the end of this year to over $100 billion at the end of 1990 if H.R. 1917 were enacted without any amendment.

This issue is a simple matter of justice. We do not need a blue ribbon panel or another study of find a solution. H.R. 1917 clearly demonstrates that the problem can be solved. What we need is a simple committment to do something about the problem. Certainly, I am willing to work with you and your Subcommittee in any way in which you believe that a resolution to this issue can best be moved forward through the Congress. If we do not act, our failure will be considered a breach of trust which millions of our senior constituents will never forget.

Sincerely,

EDWARD R. ROYBAL,
Chairman.

Mr. DAUB. Congressman Claude Pepper's views on the notch.

[The information follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC.

DEAR FRIEND: Thank you for your letter regarding the Notch in the Social Security benefit formula. I am pleased to have your views on this issue of vital importance to so many of our country's elderly and to have an opportunity to attempt to clear up some of the misconceptions that continue to surround it.

You know what Social Security means to me. As the former Chairman of the House Select Committee on Aging, as well as the Chairman of the Subcommittee on Health and Long Term Care and, particularly, as a member of the Presidentially-appointed National Commission on Social Security Reform which (after two years of intense study) developed the 1983 legislation to assure the solvency of Social Securi-

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ty well into the next century, I have looked into the matter of the Notch very thoroughly. I have conscientiously endeavored to find an answer that would favorably resolve the matter to everyone's satisfaction. Because I would like nothing better than to raise the level of benefits for all of America's senior citizens if it were within our means to do so, I hope you will understand it saddens me deeply to have to hold to my position that the Notch is not the problem. It is the result of correcting a problem that posed a serious threat to Social Security.

For average wage earners, replacement rates of pre-retirement income are designed to be about 42 percent. As a result of the 1972 Social Security Act Amendments, people who were receiving Social Security benefits would receive an increase for inflation (COLA) based, for the first time, on the cost of living as it is expressed in the Consumer Price Index (CPI). Unfortunately, Congress also inadvertently tied the initial benefit formula (the basic figures used to compute the benefit) to the CPI. Since the initial benefit formula already reflected increases in wages, workers were being compensated twice for inflation—once for wages and another time for prices. The intent of the benefit formula change was to adjust benefits so they would keep pace with rising inflation which was, of course, commendable. The UNINTENDED effect was to boost benefits to levels far greater than Congress anticipated and to jeopardize the financial stability of the Social Security program. In fact, the 1972 benefit formula took benefits for average wage earners to levels nearing 55 percent of pre-retirement income. The 1977 formula brought them back within the 42 percent range that was always intended. For people born in 1916 or before who were already receiving Social Security, Congress determined not to lower benefits. Individuals born between 1917 and 1921 can have their benefits computed using either the new law formula or the old law transition guarantee, whichever provides the higher benefit. However, it is important to remember that the new law affects EVERYONE born after 1916 and not just those born in the so-called NOTCH years; but only those born in the Notch years have the opportunity to have their benefits calculated under the transition guarantee. Those born after 1921 must have their benefits calculated under the new law formula.

As you know, there are many proposals to "correct" the Notch. There are also proposals to study the Notch. If any alternative should emerge from such a study that would help smooth the gap between benefits in the Notch and pre-Notch years without threatening long-term solvency of the program which we assured in our 1983 Social Security reform legislation, I would do all I properly could in behalf of the affected individuals.

If there is any other way I can be of assistance, you know it will be a pleasure to hear from you.

Kind regards, and

Very sincerely,

CLAUDE PEPPER,
Member of Congress.

Mr. DAUB. Additionally, I would like to cause to be entered into the record the report which you referred to a moment ago, and that is the full text of the American Enterprise Institute's legislative analysis and proposals to deal with the social security notch problem.

[See Appendix 2, for full text of the American Enterprise Institute report.]

Mr. DAUB. Next, I would like to introduce the editorial which appeared in the Washington Post on October 11, 1985, and the voting records from the House, and Senate vote in 1977 on the Social Security amendments that caused this particular action to be transacted.

[The information follows:]

[From The Washington Post, Oct. 11, 1985]

"NOTCH BABIES" MARCH

Even as Congress considers deep new cuts in social spending, a group of beneficiaries is planning a march on Washington to demand higher benefits. The self-styled "notch babies"—what a term!—claim that, by virtue of having been born in the years 1917-1921, they have been unjustly deprived of higher Social Security pen-

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sions. In fact, their treatment has been perfectly fair. The only unfairness is that excessive benefits were paid to slightly older retirees.

The Social Security marchers point to the fact that people in their age group are having their initial retirement benefits calculated according to a formula that is less generous on average than the one applied to persons a year or more older than they are. As a result, they claim, they are victims of a government program "notch"—a quirk in social policy that makes one group of people substantially worse off than other people whom they differ only slightly.

The shift in program rules came about because in 1977 Congress belatedly corrected a faulty formula added to the Social Security law in 1972. That error, which involved the way benefits were adjusted for inflation, had already resulted in a sharp—and unintended—increase in benefits received by people retiring in the late 1970s. If the error had not been corrected, people retiring in this decade would have received benefits equal, on average, to 50 to 60 percent of their prior earnings as compared with an average rate of only 36 percent when Congress put the inflation formula into law. If this situation had continued, Social Security would have been put into permanent bankruptcy in short order.

However, by the time Congress realized what was the matter and got around to fixing it, many people had already been overcompensated. Since taking away benefits from people who already have them is very harsh treatment, Congress decided to leave alone those people who had already retired or passed the age of 62 under the faulty rules, but straighten things out for following generations—starting with the "notch babies."

Inevitably this meant that younger retirees would get somewhat less on average than those slightly older. But the marchers' claim for special compensation lacks merit because they have not received any less than they were entitled—the people before them simply got too much. Congress even included transitional rules giving the 1917–1921 generation somewhat favored treatment compared with those, with comparable earnings records, who are younger than they. In fact, like all Social Security retirees to date, the marchers can expect to receive benefits far exeeding their actual contributions. Instead of demanding extra benefits, they should be glad that Congress corrected an error that might have put all Social Security benefits in jeopardy—including their own.

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CQ House Votes 702-706

702. Procedural Motion. Russo (D Ill.) motion to approve the *House Journal* of Wednesday, Dec. 14, 1977. Motion **agreed** to 284-14: R 84-10; D 191-4 (ND 128-4; SD 63-0), Dec. 15, 1977.

703. HR 3199. Water Pollution Control Act. Adoption of the rule (H Res 955) providing for House floor consideration of and waiving points of order against consideration of the conference report on the Clean Water Act of 1977. Adopted 326-6: R 110-6; D 216-0 (ND 145-0; SD 71-0), Dec. 15, 1977.

704. HR 3199. Water Pollution Control Act. Adoption of conference report on the bill to amend the 1972 Federal Water Pollution Control Act by revising cleanup deadlines, retaining federal jurisdiction over wetlands and to authorize $24.5-billion through fiscal 1982 for municipal construction grants. Adopted 346-2: R 122-0; D 224-2 (ND 150-2; SD 74-0), Dec. 15, 1977. A "yea" was a vote supporting the President's position.

705. HR 9346. Social Security Financing. Adoption of the rule (H Res 917) providing for House floor consideration of the conference report on the bill to raise Social Security payroll taxes and adjust certain benefit levels and waiving all points of order against the conference report. Adopted 178-175: R 3-121; D 175-54 (ND 134-19; SD 41-35), Dec. 15, 1977.

706. HR 9346. Social Security Financing. Adoption of the conference report on the bill to raise Social Security payroll taxes, above existing scheduled levels, by increasing tax rates and the taxable wage base for both employees and employers beginning in 1979; to correct inflation adjustment procedures and make other changes in benefit schedules; and to authorize additional funding and new options for state welfare programs. Adopted 189-163: R 15-108; D 174-54 (ND 115-18; SD 59-36), Dec. 15, 1977. A "yea" was a vote supporting the President's position.

KEY

Y Voted for (yea).
Paired for.
+ Announced for.
- CQ Poll for.
N Voted against (nay).
X Paired against.
Announced against.
CQ Poll against.
P Voted "present."
C Voted "present" to avoid possible conflict of interest.
? Did not vote or otherwise make a position known.

	702	703	704	705	706
ALABAMA					
1 Edwards	Y	Y	Y	N	N
2 Dickinson	0	0	0	X	X
3 Nichols	Y	Y	Y	Y	N
4 Bevill	Y	Y	Y	N	N
5 Flippo	Y	Y	Y	N	N
6 Buchanan	Y	Y	Y	N	N
7 Flowers	Y	Y	Y	N	Y
ALASKA					
At Large	?	Y	Y	N	N
ARIZONA					
1 Rhodes	Y	Y	Y	N	N
2 Udall	0	0	0	0	0
3 Stump	Y	Y	Y	N	N
4 Rudd	Y	Y	Y	N	N
ARKANSAS					
1 Alexander	?	Y	Y	Y	Y
2 Tucker	Y	Y	Y	Y	Y
3 Hammerschmidt	Y	Y	Y	N	N
4 Thornton	Y	Y	Y	N	N
CALIFORNIA					
1 Johnson	P	Y	Y	Y	Y
2 Clausen	Y	Y	Y	N	N
3 Moss	Y	Y	Y	+	+
4 Leggett	Y	Y	Y	Y	Y
5 Burton, J.	Y	Y	Y	N	N
6 Burton, P.	Y	Y	Y	Y	Y
7 Miller	Y	Y	Y	Y	Y
8 Dellums	0	Y	Y	Y	Y
9 Stark	Y	Y	Y	Y	Y
10 Edwards	Y	0	Y	Y	Y
11 Ryan	Y	Y	Y	Y	X
12 McCloskey	Y	Y	Y	X	X
13 Hanna	Y	Y	Y	Y	Y
14 McFall	Y	Y	Y	Y	Y
15 Sisk	Y	Y	Y	Y	Y
16 Panetta	Y	Y	Y	X	X
17 Krebs	Y	Y	Y	Y	Y
18 Ketchum	Y	Y	Y	N	N
19 Lagomarsino	Y	Y	Y	N	N
20 Goldwater	Y	Y	Y	N	N
21 Corman	Y	Y	Y	Y	Y
22 Moorhead	Y	Y	Y	N	N
23 Beilenson	Y	Y	Y	+	+
24 Waxman	Y	Y	Y	Y	Y
25 Roybal	Y	Y	Y	Y	Y
26 Rousselot	Y	N	Y	N	N
27 Dornan	Y	Y	Y	N	N
28 Burke	Y	Y	Y	+	+
29 Hawkins	Y	Y	Y	Y	Y
30 Danielson	Y	Y	Y	Y	Y
31 Wilson	Y	Y	Y	+	N
32 Anderson	Y	Y	Y	Y	Y
33 Clawson	Y	Y	Y	N	N
34 Hannaford	Y	Y	Y	Y	Y
35 Lloyd	N	Y	Y	N	Y
36 Brown	Y	Y	Y	Y	Y
37 Pettis	Y	Y	Y	Y	Y
38 Patterson	Y	Y	Y	Y	Y
39 Wiggins	0	0	0	X	X
40 Badham	Y	Y	Y	N	N
41 Wilson	0	0	0	0	0
42 Van Deerlin	P	Y	Y	Y	Y
43 Burgener	Y	Y	Y	N	N
COLORADO					
1 Schroeder	Y	Y	Y	N	N
2 Wirth	0	Y	Y	N	N
3 Evans	Y	Y	Y	Y	Y
4 Johnson	Y	Y	Y	N	N
5 Armstrong	Y	Y	Y	X	?
CONNECTICUT					
1 Cotter	Y	Y	Y	Y	Y
2 Dodd	Y	Y	Y	Y	Y
3 Giaimo	Y	Y	Y	Y	Y
4 McKinney	Y	Y	Y	N	N
5 Sarasin	N	Y	Y	N	N
6 Moffett	Y	Y	Y	Y	Y
DELAWARE					
At Large	Y	Y	Y	N	N
FLORIDA					
1 Sikes	Y	Y	Y	Y	N
2 Fuqua	Y	Y	Y	X	X
3 Bennett	Y	Y	Y	N	N
4 Chappell	Y	Y	Y	X	X
5 Kelly	Y	Y	Y	N	N
6 Young	Y	Y	Y	N	Y
7 Gibbons	Y	Y	Y	N	N
8 Ireland	Y	Y	Y	N	N
9 Nelson	Y	Y	Y	N	N
10 Bafalis	Y	Y	Y	N	N
11 Rogers	Y	Y	Y	Y	Y
12 Burke	Y	Y	Y	X	Y
13 Lehman	Y	Y	Y	Y	N
14 Pepper	Y	Y	Y	Y	Y
15 Fascell	0	Y	Y	Y	Y
GEORGIA					
1 Ginn	Y	Y	Y	Y	X
2 Mathis	Y	Y	Y	X	Y
3 Brinkley	Y	Y	Y	N	N
4 Levitas	Y	Y	Y	N	Y
5 Fowler	Y	Y	Y	Y	Y
6 Flynt	Y	Y	Y	N	N
7 McDonald	Y	Y	Y	N	N
8 Evans	Y	Y	Y	N	N
9 Jenkins	Y	Y	Y	Y	Y
10 Barnard	Y	Y	Y	N	Y
HAWAII					
1 Heftel	Y	Y	Y	Y	Y
2 Akaka	Y	Y	Y	Y	Y
IDAHO					
1 Symms	Y	Y	Y	Y	X
2 Hansen, G.	Y	N	Y	N	N
ILLINOIS					
1 Metcalfe	Y	Y	Y	+	+
2 Murphy	Y	Y	Y	Y	Y
3 Russo	Y	Y	Y	Y	Y
4 Derwinski	Y	Y	Y	N	N
5 Fary	Y	Y	Y	+	+
6 Hyde	Y	Y	Y	N	N
7 Collins	Y	Y	Y	Y	Y
8 Rostenkowski	Y	Y	Y	Y	Y
9 Yates	Y	Y	Y	+	Y
10 Mikva	Y	Y	Y	Y	Y
11 Annunzio	Y	Y	Y	Y	Y
12 Crane	Y	N	Y	N	N
13 McClory	Y	Y	Y	N	N
14 Erlenborn	Y	Y	Y	N	N
15 Corcoran	Y	Y	Y	N	N
16 Anderson	Y	Y	Y	N	N
17 O'Brien	Y	Y	Y	N	N
18 Michel	Y	Y	Y	N	N
19 Railsback	Y	Y	Y	N	N
20 Findley	Y	Y	Y	N	N
21 Madigan	Y	Y	Y	N	N
22 Shipley	Y	Y	Y	Y	+
23 Price	Y	Y	Y	Y	Y
24 Simon	Y	Y	Y	Y	Y
INDIANA					
1 Benjamin	Y	Y	Y	Y	Y
2 Fithian	Y	Y	Y	Y	Y
3 Brademas	Y	Y	Y	Y	Y
4 Quayle	N	N	Y	N	N
5 Hillis	Y	Y	Y	N	Y
6 Evans	Y	Y	Y	N	N
7 Myers	Y	Y	Y	N	N
8 Cornwell	Y	Y	Y	Y	Y
9 Hamilton	Y	Y	Y	Y	Y
10 Sharp	Y	Y	Y	Y	Y
11 Jacobs	N	Y	Y	Y	N
IOWA					
1 Leach	Y	Y	Y	N	N
2 Blouin	Y	Y	Y	Y	Y
3 Grassley	Y	Y	Y	N	N
4 Smith	Y	Y	Y	Y	Y
5 Harkin	Y	Y	Y	Y	Y
6 Bedell	Y	Y	Y	Y	Y

Democrats Republicans

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Corresponding to Congressional Record Votes 776, 777, 778, 780, 782

	776	777	778	780	782
KANSAS					
1 Sebelius	Y	Y	Y	N	N
2 Keys	Y	Y	Y	Y	Y
3 Winn	Y	Y	Y	X	X
4 Glickman	N	Y	Y	Y	Y
5 Skubitz	P	Y	Y	N	Y
KENTUCKY					
1 Hubbard	Y	Y	Y	N	Y
2 Natcher	Y	Y	Y	Y	Y
3 Mazzoli	Y	Y	Y	Y	Y
4 Snyder	Y	Y	Y	N	N
5 Carter	Y	Y	Y	N	Y
6 Breckinridge	Y	Y	Y	Y	Y
7 Perkins	Y	Y	Y	Y	Y
LOUISIANA					
1 Livingston	Y	Y	Y	N	N
2 Boggs	Y	Y	Y	Y	Y
3 Treen	N	Y	Y	N	N
4 Waggonner	Y	Y	Y	Y	Y
5 Huckaby	Y	Y	Y	N	N
6 Moore	Y	Y	Y	N	N
7 Breaux	Y	Y	Y	P	P
8 Long	Y	Y	Y	P	Y
MAINE					
1 Emery	Y	Y	Y	N	Y
2 Cohen	Y	Y	Y	N	N
MARYLAND					
1 Bauman	Y	N	Y	N	N
2 Long	Y	Y	Y	Y	Y
3 Mikulski	Y	Y	Y	N	N
4 Holt	Y	Y	Y	N	N
5 Spellman	Y	Y	Y	Y	Y
6 Byron	N	Y	Y	N	N
7 Mitchell	N	Y	Y	Y	Y
8 Steers	Y	Y	Y	Y	Y
MASSACHUSETTS					
1 Conte	Y	Y	Y	N	N
2 Belnot	Y	Y	Y	Y	Y
3 Early	Y	Y	Y	N	Y
4 Drinan	Y	Y	Y	Y	Y
5 Tsongas	Y	Y	Y	Y	Y
6 Harrington	Y	Y	Y	Y	Y
7 Markey	Y	Y	Y	Y	Y
8 O'Neill					
9 Moakley	Y	P	Y	Y	Y
10 Nerdin	P	Y	Y	N	Y
11 Burke	Y	Y	Y	N	Y
12 Studds	Y	Y	Y	N	N
MICHIGAN					
1 Conyers	P	P	P	P	P
2 Pursell	Y	Y	Y	X	X
3 Brown	N	Y	Y	N	N
4 Stockman	Y	Y	Y	N	N
5 Sawyer	Y	Y	Y	N	N
6 Carr	Y	Y	Y	Y	N
7 Kildee	Y	Y	Y	Y	Y
8 Traxler	Y	Y	Y	Y	Y
9 Vander Jagt	Y	Y	Y	N	N
10 Cederberg	Y	Y	Y	X	X
11 Ruppe	Y	Y	Y	Y	Y
12 Bonior	Y	Y	Y	Y	Y
13 Diggs	Y	Y	Y	Y	Y
14 Nedzi	Y	Y	Y	Y	Y
15 Ford	Y	Y	Y	Y	Y
16 Dingell	Y	Y	Y	Y	Y
17 Brodhead	Y	Y	Y	Y	Y
18 Blanchard	Y	Y	Y	Y	Y
19 Broomfield	Y	Y	Y	N	N
MINNESOTA					
1 Quie	P	P	P	P	P
2 Hagedorn	Y	Y	Y	N	N
3 Frenzel	Y	Y	Y	N	N
4 Vento	Y	Y	Y	Y	Y
5 Fraser	Y	Y	Y	Y	Y
6 Nolan	Y	Y	Y	Y	Y
7 Stangeland	Y	Y	Y	N	N
8 Oberstar	Y	Y	Y	Y	Y
MISSISSIPPI					
1 Whitten	Y	Y	Y	N	N
2 Bowen	Y	Y	Y	N	N
3 Montgomery	Y	Y	Y	N	N
4 Cochran	Y	Y	Y	N	N
5 Lott	Y	Y	Y	N	N
MISSOURI					
1 Clay	Y	Y	Y	Y	Y
2 Young	Y	Y	Y	N	N
3 Gephardt	P	Y	Y	Y	Y
4 Skelton	Y	Y	Y	N	N
5 Bolling	Y	Y	Y	Y	Y
6 Coleman	Y	Y	Y	N	N
7 Taylor	Y	Y	Y	N	N
8 Ichord	Y	Y	Y	Y	Y
9 Volkmer	Y	Y	Y	N	N
10 Burlison	Y	Y	Y	Y	Y
MONTANA					
1 Baucus	Y	Y	Y	P	P
2 Marlenee	Y	Y	Y	X	X
NEBRASKA					
1 Thone	Y	Y	Y	N	N
2 Cavanaugh	Y	Y	Y	X	X
3 Smith	Y	Y	Y	N	N
NEVADA					
AL Santini	P	P	P	X	X
NEW HAMPSHIRE					
1 D'Amours	Y	Y	Y	N	Y
2 Cleveland	Y	Y	Y	N	N
NEW JERSEY					
1 Florio	Y	Y	Y	Y	Y
2 Hughes	Y	Y	Y	N	Y
3 Howard	Y	Y	Y	Y	Y
4 Thompson	Y	Y	Y	Y	Y
5 Fenwick	Y	Y	Y	N	N
6 Forsythe	Y	Y	Y	X	X
7 Maguire	Y	Y	Y	Y	Y
8 Roe	Y	Y	Y	Y	Y
9 Hollenbeck	Y	Y	Y	N	Y
10 Rodino	Y	Y	Y	Y	Y
11 Minish	Y	Y	Y	Y	Y
12 Rinaldo	P	P	P	P	P
13 Meyner	Y	Y	Y	Y	Y
14 LeFante	Y	Y	Y	P	P
15 Patten	Y	Y	Y	Y	Y
NEW MEXICO					
1 Lujan	Y	Y	Y	Y	Y
2 Runnels	Y	Y	Y	X	X
NEW YORK					
1 Pike	Y	Y	Y	X	X
2 Downey	Y	Y	Y	Y	Y
3 Ambro	Y	Y	Y	Y	Y
4 Lent	P	P	P	X	X
5 Wydler	Y	Y	Y	N	N
6 Wolff	P	P	P	P	P
7 Addabbo	Y	Y	Y	Y	Y
8 Rosenthal	Y	P	Y	Y	Y
9 Delaney	Y	Y	Y	Y	Y
10 Bragg	Y	Y	Y	Y	Y
11 Scheuer	Y	Y	Y	Y	Y
12 Chisholm	Y	Y	Y	Y	Y
13 Solarz	Y	Y	Y	Y	Y
14 Richmond	Y	Y	Y	Y	Y
15 Zeferetti	Y	Y	Y	Y	Y
16 Holtzman	Y	Y	N	N	Y
17 Murphy	Y	Y	Y	Y	Y
18 Koch	Y	Y	Y	P	P
19 Ranger	Y	Y	Y	Y	Y
20 Weiss	Y	Y	N	Y	Y
21 Badillo	Y	Y	Y	P	P
22 Bingham	Y	Y	Y	Y	Y
23 Caputo	Y	Y	Y	N	N
24 Ottinger	Y	Y	Y	Y	Y
25 Fish	Y	Y	Y	N	N
26 Gilman	Y	Y	Y	N	N
27 McHugh	Y	Y	Y	Y	Y
28 Stratton	Y	Y	Y	Y	Y
29 Pattison	Y	Y	Y	Y	Y
30 McEwen	Y	Y	Y	X	X
31 Mitchell	P	Y	Y	N	N
32 Hanley	Y	Y	Y	Y	Y
33 Walsh	Y	Y	Y	N	N
34 Horton	Y	Y	Y	N	N
35 Conable	N	Y	Y	N	N
36 LaFalce	Y	Y	Y	Y	Y
37 Nowak	Y	Y	Y	Y	Y
38 Kemp	Y	Y	Y	N	N
39 Lundine	Y	Y	Y	X	X
NORTH CAROLINA					
1 Jones	Y	Y	Y	Y	Y
2 Fountain	Y	Y	Y	N	N
3 Whitley	Y	Y	Y	N	Y
4 Andrews	Y	Y	Y	N	N
5 Neal	P	P	P	P	P
6 Preyer	Y	Y	Y	Y	Y
7 Rose	Y	Y	Y	N	N
8 Hefner	Y	Y	Y	Y	Y
9 Martin	Y	Y	Y	N	Y
10 Broyhill	Y	Y	Y	N	Y
11 Gudger	Y	Y	Y	Y	Y
NORTH DAKOTA					
AL Andrews	P	P	P	X	X
OHIO					
1 Gradison	Y	Y	Y	N	N
2 Luken	Y	Y	Y	N	Y
3 Whalen	P	P	P	P	P
4 Guyer	Y	Y	Y	N	N
5 Latta	Y	Y	Y	N	N
6 Harsha	Y	Y	Y	Y	Y
7 Brown	Y	Y	Y	N	N
8 Kindness	Y	Y	Y	N	N
9 Ashley	Y	Y	Y	Y	Y
10 Miller	Y	Y	Y	N	N
11 Stanton	Y	Y	Y	N	N
12 Devine	Y	Y	Y	N	N
13 Pease	Y	Y	Y	N	Y
14 Seiberling	Y	Y	Y	Y	Y
15 Wylie	Y	Y	Y	N	N
16 Regula	Y	Y	Y	N	N
17 Ashbrook	Y	N	Y	N	N
18 Applegate	Y	Y	Y	Y	Y
19 Carney	Y	Y	Y	P	P
20 Oakar	Y	Y	Y	N	Y
21 Stokes	Y	Y	Y	Y	Y
OKLAHOMA					
1 Jones	Y	Y	Y	Y	N
2 Risenhoover	Y	Y	Y	P	P
3 Watkins	Y	Y	Y	N	N
4 Steed	Y	Y	Y	Y	N
5 Edwards	Y	Y	Y	N	N
6 English	Y	Y	Y	N	N
OREGON					
1 AuCoin	Y	Y	Y	N	N
2 Ullman	Y	Y	Y	Y	Y
3 Duncan	Y	Y	Y	Y	Y
4 Weaver	Y	Y	Y	Y	Y
PENNSYLVANIA					
1 Myers	Y	Y	Y	P	P
2 Nix	Y	Y	Y	P	P
3 Lederer	Y	Y	Y	Y	Y
4 Eilberg	Y	Y	Y	Y	Y
5 Schulze	Y	Y	Y	N	N
6 Yatron	Y	Y	Y	Y	Y
7 Edgar	Y	Y	Y	Y	Y
8 Kostmayer	Y	Y	Y	Y	Y
9 Shuster	Y	Y	Y	N	N
10 McDade	P	Y	Y	Y	Y
11 Flood	Y	Y	Y	Y	Y
12 Murtha	Y	Y	Y	Y	Y
13 Coughlin	N	Y	Y	N	N
14 Moorhead	Y	Y	Y	Y	Y
15 Rooney	Y	Y	Y	Y	Y
16 Walker	N	Y	Y	N	N
17 Ertel	Y	Y	Y	N	Y
18 Walgren	Y	Y	Y	Y	Y
19 Gaydos	N	Y	Y	N	N
20 Goodling	Y	Y	Y	Y	Y
21 Dent	Y	Y	Y	Y	Y
22 Murphy	Y	Y	Y	N	N
23 Ammerman	Y	Y	Y	N	N
24 Marks	Y	Y	Y	N	Y
25 Myers	Y	Y	Y	N	N
RHODE ISLAND					
1 St Germain	Y	Y	Y	Y	Y
2 Beard	Y	Y	P	Y	Y
SOUTH CAROLINA					
1 Davis	Y	Y	Y	N	Y
2 Spence	Y	Y	Y	N	N
3 Derrick	Y	Y	Y	Y	Y
4 Mann	Y	Y	Y	N	Y
5 Holland	Y	Y	Y	N	Y
6 Jenrette	P	P	Y	Y	Y
SOUTH DAKOTA					
1 Pressler	Y	Y	Y	N	N
2 Abdnor	Y	Y	Y	N	N
TENNESSEE					
1 Quillen	Y	Y	Y	N	N
2 Duncan	Y	Y	Y	N	N
3 Lloyd	Y	Y	Y	N	N
4 Gore	Y	Y	Y	N	N
5 Allen	Y	Y	Y	N	N
6 Beard	Y	Y	Y	N	N
7 Jones	Y	Y	Y	N	Y
8 Ford	P	P	P	P	P
TEXAS					
1 Hall	Y	Y	Y	Y	Y
2 Wilson	P	P	Y	Y	Y
3 Collins	Y	Y	Y	N	N
4 Roberts	Y	Y	Y	Y	Y
5 Mattox	Y	Y	Y	Y	Y
6 Teague	Y	Y	Y	N	N
7 Archer	Y	Y	Y	N	N
8 Eckhardt	Y	Y	Y	Y	Y
9 Brooks	Y	Y	Y	Y	Y
10 Pickle	Y	Y	Y	Y	Y
11 Poage	Y	Y	Y	Y	Y
12 Wright	Y	Y	Y	Y	Y
13 Hightower	Y	Y	Y	P	P
14 Young	Y	Y	Y	N	N
15 de la Garza	Y	Y	Y	N	N
16 White	Y	Y	Y	N	N
17 Burleson	P	P	P	P	P
18 Jordan	Y	Y	Y	Y	Y
19 Mahon	Y	Y	Y	N	N
20 Gonzalez	Y	Y	Y	Y	N
21 Krueger	Y	Y	Y	N	Y
22 Gammage	Y	Y	Y	Y	Y
23 Kazen	Y	Y	Y	N	N
24 Milford	Y	Y	Y	Y	Y
UTAH					
1 McKay	Y	Y	Y	Y	Y
2 Marriott	Y	Y	Y	N	N
VERMONT					
AL Jeffords	Y	Y	Y	N	N
VIRGINIA					
1 Trible	Y	Y	Y	N	Y
2 Whitehurst	Y	Y	Y	N	N
3 Satterfield	Y	Y	Y	N	N
4 Daniel	Y	Y	Y	N	N
5 Daniel	Y	Y	Y	N	N
6 Butler	Y	Y	Y	N	N
7 Robinson	Y	Y	Y	N	N
8 Harris	Y	Y	Y	Y	Y
9 Wampler	Y	Y	Y	N	Y
10 Fisher	Y	Y	Y	Y	Y
WASHINGTON					
1 Pritchard	N	Y	Y	N	N
2 Meeds	P	P	P	P	P
3 Bonker	P	P	P	P	P
4 McCormack	Y	Y	Y	Y	Y
5 Foley	Y	Y	Y	Y	Y
6 Dicks	Y	Y	Y	N	Y
7 Cunningham	Y	Y	Y	N	N
WEST VIRGINIA					
1 Mollohan	P	P	P	P	X
2 Staggers	Y	Y	Y	Y	Y
3 Slack	Y	Y	Y	Y	N
4 Rahall	Y	Y	Y	Y	Y
WISCONSIN					
1 Aspin	Y	Y	Y	Y	Y
2 Kastenmeier	P	P	Y	Y	Y
3 Baldus	Y	Y	Y	Y	Y
4 Zablocki	Y	Y	Y	Y	Y
5 Reuss	Y	Y	Y	Y	N
6 Steiger	N	Y	Y	N	N
7 Obey	Y	Y	Y	Y	Y
8 Cornell	Y	Y	Y	Y	Y
9 Kasten	Y	Y	Y	N	N
WYOMING					
AL Roncalio	Y	Y	Y	Y	Y

Democrats Republicans

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CQ Senate Votes 631-635
Corresponding to Congressional Record Votes 632, 633, 634, 635, 636

	631	632	633	634	635
ALABAMA					
Allen	Y	Y	Y	Y	Y
Sparkman	Y	✓	✓	✓	Y
ALASKA					
Gravel	✓	Y	Y	✓	✓
Stevens	Y	-	Y	Y	Y
ARIZONA					
DeConcini	?	N	Y	N	?
Goldwater	?	Y	Y	Y	N
ARKANSAS					
Bumpers	Y	N	N	Y	Y
Hodges	?				Y
CALIFORNIA					
Cranston	N	?	Y	Y	Y
Hayakawa	?	Y	Y	Y	N
COLORADO					
Hart	Y	N	N	Y	Y
Haskell	✓	Y	Y	Y	N
CONNECTICUT					
Ribicoff	?	N	N	Y	Y
Weicker	?	N	N	Y	Y
DELAWARE					
Biden	?	?	?	-	N
Roth	?	Y	Y	Y	N
FLORIDA					
Chiles	Y	N	N	Y	?
Stone	?	Y	Y	N	Y
GEORGIA					
Nunn	Y	N	N	Y	N
Talmadge	?	N	N	Y	N
HAWAII					
Inouye	Y	N	N	Y	Y
Matsunaga	?	N	N	Y	Y
IDAHO					
Church	Y	N	N	Y	X
McClure	?	Y	Y	N	N
ILLINOIS					
Stevenson	✓	✓	✓	✓	X
Percy	?	Y	Y	Y	Y
INDIANA					
Bayh	Y	✓	✓	✓	Y
Lugar	?	Y	Y	N	N
IOWA					
Clark	Y	-	-	?	Y
Culver	?	N	N	Y	Y
KANSAS					
Dole	?	Y	Y	Y	N
Pearson	✓	N	N	Y	?
KENTUCKY					
Ford	?	Y	Y	N	Y
Huddleston	?	?	?	✓	Y
LOUISIANA					
Johnston	?	Y	N	N	Y
Long	?	N	N	Y	Y
MAINE					
Hathaway	?	N	N	Y	Y
Muskie	?	?	?	?	Y
MARYLAND					
Sarbanes	?	N	N	Y	Y
Mathias	?	N	N	Y	✓
MASSACHUSETTS					
Kennedy	?	N	N	Y	Y
Brooke	?	N	-	Y	Y
MICHIGAN					
Riegle	?	N	N	Y	N
Griffin	?	?	?	?	?
MINNESOTA					
Anderson	?	N	Y	Y	X
Humphrey	?	-	-	?	?
MISSISSIPPI					
Eastland	?	?	Y	N	?
Stennis	?	?	Y	N	Y
MISSOURI					
Eagleton	?	?	-	?	?
Danforth	?	?	Y	N	Y
MONTANA					
Melcher	?	?	Y	N	Y
Metcalf	?	N	N	Y	Y
NEBRASKA					
Zorinsky	✓	?	-	N	?
Curtis	?	✓	✓	✓	Y
NEVADA					
Cannon	?	N	N	Y	Y
Laxalt	?	?	?	?	N
NEW HAMPSHIRE					
Durkin	Y	?	Y	N	Y
McIntyre	?	?	?	?	?
NEW JERSEY					
Williams	N	-	N	Y	?
Case	✓	N	N	Y	Y
NEW MEXICO					
Domenici	?	?	Y	N	✓
Schmitt	?	N	N	Y	N
NEW YORK					
Moynihan	Y	-	-	?	Y
Javits	Y	-	-	?	?
NORTH CAROLINA					
Morgan	?	N	N	Y	Y
Helms	✓	?	Y	N	?
NORTH DAKOTA					
Burdick	?	N	N	Y	Y
Young	✓	?	Y	N	?
OHIO					
Glenn	?	N	N	Y	Y
Hannaberson	?	N	N	Y	?
OKLAHOMA					
Bartlett	?	?	?	?	N
Bellmon	?	N	N	Y	N
OREGON					
Hatfield	?	?	Y	N	?
Packwood	?	?	?	?	?
PENNSYLVANIA					
Heinz	✓	?	?	?	?
Schweiker	?	?	Y	N	?
RHODE ISLAND					
Pell	?	-	?	?	?
Chafee	?	N	N	Y	?
SOUTH CAROLINA					
Hollings	?	N	N	Y	?
Thurmond	?	?	Y	N	Y
SOUTH DAKOTA					
Abourezk	?	?	N	Y	N
McGovern	?	N	N	Y	?
TENNESSEE					
Sasser	?	N	N	Y	?
Baker	?	N	N	Y	?
TEXAS					
Bentsen	?	N	N	Y	Y
Tower	?	?	?	?	N
UTAH					
Garn	?	?	?	?	N
Hatch	?	?	Y	N	N
VERMONT					
Leahy	?	N	N	?	Y
Stafford	?	N	N	Y	Y
VIRGINIA					
Byrd*	?	?	N	Y	Y
Scott	?	N	Y	N	Y
WASHINGTON					
Jackson	?	-	-	?	?
Magnuson	?	-	-	?	✓
WEST VIRGINIA					
Byrd	?	N	N	?	Y
Randolph	?	?	Y	N	Y
WISCONSIN					
Nelson	?	N	Y	?	Y
Proxmire	?	?	Y	N	Y
WYOMING					
Hansen	?	N	N	Y	Y
Wallop	?	?	?	?	N

KEY

Y Voted for (yea)
✓ Paired for
+ Announced for
- CQ Poll for
N Voted against (nay)
X Paired against
. Announced against
? CQ Poll against
P Voted 'present'
* Voted 'present' to avoid possible conflict of interest
? Did not vote or otherwise make a position known

Democrats Republicans

† John L. McClellan (D-Ark.) died Nov. 28, 1977. Senator Hodges Jr. (D) was sworn in Dec. 12, 1977, to fill vacancy. The first vote for which he was eligible was CQ vote 633.

*Byrd elected as independent

631. HR 9418. Public Health Service Amendments. Passage of the bill to amend the Public Health Service Act and delete a requirement in existing law that U.S. medical schools had to accept a certain number of U.S. citizens transferring from foreign medical schools; expand the subject areas for public health traineeships to include preventive medicine and dentistry; change loan requirements for health students and allow continuation of the guaranteed student loan program regardless of loss of federal subsidies to the schools; and prohibit schools from discriminating against any student who refused to participate in abortions. Passed 57-2: R 21-0; D 36-2 (ND 28-2, SD 8-0). Nov. 4, 1977.

632. HR 7555. Labor-HEW Appropriations, Fiscal 1978. Helms (R N.C.) substitute amendment, to the Brooke (R Mass.) amendment *(see vote 634, below)*, to prohibit the use of federal funds for abortion except where the life of the mother would be endangered. Rejected 21-42: R 11-12; D 10-30 (ND 4-21; SD 6-9). Nov. 29, 1977.

633. HR 7555. Labor-HEW Appropriations, Fiscal 1978. Helms (R N.C.) substitute amendment, to the Brooke (R Mass.) amendment *(see vote 634, below)*, to add a requirement that rape or incest be promptly reported to the police or a public health agency in order for victims to qualify for federally funded medical treatment. Rejected 23-42: R 12-11; D 11-31 (ND 7-20; SD 4-11). Nov. 29, 1977.

634. HR 7555. Labor-HEW Appropriations, Fiscal 1978. Brooke (R Mass.) motion to concur in a House-passed amendment relating to abortion with an amendment to bar the use of federal funds for abortion except where pregnancy would cause danger to the life of the mother or "severe and longlasting physical health damage" and to permit funds for "medical procedures" in cases of reported rape or incest. Motion agreed to 44-21: R 12-11; D 32-10 (ND 22-5; SD 10-5). Nov. 29, 1977.

635. HR 9346. Social Security Financing. Adoption of the conference report on the bill to raise Social Security payroll taxes, above existing scheduled levels, by increasing tax rates and the taxable wage base for both employees and employers beginning in 1979; to correct inflation adjustment procedures and make other changes in benefit schedules; and to authorize additional funding and new options for state welfare programs. Adopted 56-21: R 17-14; D 39-7 (ND 27-5; SD 12-2). Dec. 15, 1977. A "yea" was a vote supporting the President's position.

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[EDITOR'S NOTE: Following is a reply of Chairman Edward R. Roybal to the editorial of The Washington Post:]

[From the Washington Post, Oct. 14, 1985]

'NOTCH BABIES' MARCH: A REPLY

The Oct. 11 editorial "'Notch Babies' March" asserted that it would be a mistake to correct the notch. More than 100 members of Congress from both political parties disagree and have cosponsored my legislation, H.R. 1917, which restores benefits to "Notch Babies" without jeopardizing Social Security's financial viability. The real mistake would be to allow this intolerable inequity to go unchallenged.

I agree that changes in Social Security's benefit formula had to be made in 1977 because the 1972 benefit formula overcompensated for inflation. Unfortunately, the 1977 correction made the mistake of underestimating inflation and ignoring the postage 61 earnings of the "Notch Babies" under the so-called "transition formula." The combined effect of these mistakes was to create great differences in benefits among individuals simply based on their dates of birth.

This year's average-earning, 65-year-old retiree, who was born in 1920, will receive $133 a month less than the benefits being paid to the average-earning retiree who was born in 1916. In fact, the average benefits paid to this year's new 65-year-old retirees will, be less than average benefits paid to any retirees of the last decade despite the fact that the average earner's Social Security taxes have increased by 141 percent since 1975.

While Congress did intend to reduce and then stabilize future benefit levels, it also intended to phase in the reduction to protect people who would soon be retiring from a sudden severe reduction in their benefits. Unfortunately the phase-in did not work. Instead of the "set of steps" intended to reduce benefits only a few percentage points lower than for those born the year before, persons born in 1917 currently receive an average of 9.7 percent less than persons born in 1916. This one year reduction is almost twice as great as the reduction that was supposed to be phased in during a five-year period.

H.R. 1917 restores benefit levels to an amount equal to or slightly above the amounts being paid to persons born in 1916. It does not repeat the errors of the overgenerous 1972 amendments, nor does it repeat the errors of the failed 1977 amendments. It simply stretches out the transition period using the most sophisticated transition formula yet devised.

EDWARD R. ROYBAL,
U.S. Representative (D-Calif.) Chairman,
House Select Committee on Aging, Washington.

Mr. DAUB. Mr. Chairman, the 1977 Social Security Amendments contained an essential major provision, decoupling, that corrected, it was alleged, a flaw in the existing benefit formula that was responsible for increasing benefits by about 100 percent through the 1970s.

Obviously, these increases were far higher than was intended or expected in 1972, when Congress enacted the faulty benefit formula that dually compensated beneficiaries for cost-of-living increases.

However, these 1977 amendments, passed by a House of Representatives and Senate controlled by the Democrats and signed into law by President Carter, also created the notch. The Democrats, who are the alleged "great protectors" of Social Security, still control the House and have the votes to change the notch if they see fit.

The notch issue focuses on a question of fairness, and because of the concerns that have been expressed to me by my constituents, I have, along with many of my colleagues, taken a strong interest in this matter.

Still, as the letters from Social Security Subcommittee Chairman Jim Jones indicate, there is not at this time substantial bipartisan

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support for H.R. 1917 or other remedial legislation that could put the Social Security System in jeopardy.

Some individuals point to Social Security surpluses as a source of funding any changes to the system. However, one of the key concerns about the Social Security trust fund is the post-World War II "baby boomers" who are now reaching their 40th birthdays.

The fund must build a surplus now to pay their future benefits which are based on the same formula as those in the notch years. When they retire, there will be only two workers for each retiree. Currently, there are three workers per retiree.

Thus, so as not to repeat past congressional mistakes with respect to the Social Security System, a thorough study of the notch proposals and their financial ramifications is absolutely necessary and responsible. I will continue to press for this indepth research before endorsing any of the specific proposals.

Congressman Lightfoot, I again want to commend your efforts on behalf of individuals affected by the notch, and I look forward to working with you in the future in this regard. I also urge members on the other side of the aisle to recognize the source of the notch and realize that you control the votes to do something about it.

Thank you very much, Mr. Chairman.

Mr. LIGHTFOOT. One quick question. You serve on the Ways and Means Committee. Do you see anything happening in the committee that will address this problem at this point in time?

Mr. DAUB. I meant to include the answer to that question in my inclusions for the record.

Mr. LIGHTFOOT. That is what I thought.

Next, we would like to call on a panel of notch leaders. Anthony Purcell from Pennsylvania; Daryl Cooper from Iowa; Effie Hetrick from California; Julia Socha from Nebraska; and Julian Stern from Florida. Please come forward and take your seats.

While they are getting into place, we might call to your attention the charts in front. They indicate the breakdown on what the notch problem is. The first chart shows where benefits have dropped to, down to 1985, where you see the drop there, and on the chart over there, it is broken down as to what the current law, the 1977 amendments, and the old law do.

The numbers are self-explanatory as to what may or may not happen.

OK, we will start with Mr. Purcell from Pennsylvania, and sir, you probably need to pull that mike up over there in front of you.

Mr. Purcell.

STATEMENT OF ANTHONY PURCELL, PITTSBURGH, PA

Mr. PURCELL. My name is Anthony Purcell, Sr. I am from Pittsburgh, PA, the organizer—can you hear me now? My name is Anthony Purcell, Sr. I am from Pittsburgh, PA, chairman and organizer of the Notch Babies Organization of Pennsylvania, and all parts of the United States.

I am a veteran of World War II, and I served in the U.S. Navy. I am a retired construction worker of the Operating Engineers Local 66 of Pittsburgh.

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The first time I heard of the notch was when I applied for retirement in 1982. I mentioned to the lady I was born in 1917, she said, "Well, if you were born in 1917, you are going to be losing over $100 per month."

I said, well, if I would have known that, maybe I would have mentioned—something must be wrong with the microphone.

Is this better?

The first time I heard of the notch is when I retired, December of 1982, when I applied for Social Security. I mentioned to the lady that I was born in 1917. She said, well, that is too bad.

I was hoping you would have said 1916, because you are going to be losing $100 or more per month. I said, well, I would have said 1916 if I had known about the notch, but I can't lie and I couldn't live with myself if I had lied to you people.

In my closing statement, there has been a moral commitment of the Government not to renege on a promise to the beneficiaries of Social Security. This promise has been broken. Thank you.

Mr. LIGHTFOOT. Thank you, Mr. Purcell.

Mr. Cooper.

STATEMENT OF DARYL COOPER, COUNCIL BLUFFS, IA

Mr. COOPER. Can you hear me?

Mr. LIGHTFOOT. Fine.

Mr. COOPER. Ladies and gentlemen, my name is Daryl Cooper, from Council Bluffs, IA. I want to thank Congressman Roybal, Congressman Lightfoot, and their staff as well as Anthony Purcell for setting up this rally, and also this hearing.

I think it is wonderful that they have gone to that much work, and I appreciate the opportunity of being here.

I also want to thank my colleagues from the Midwest for all their moral support as well as the many hours of labor which they have contributed to our cause. I became involved with the Social Security notch also when I retired, or attempted to retire, and filed for my Social Security, found out that my benefits would be considerably less than I had been told they would be.

The only answer that I could get from the Social Security Department at that time was when I asked why. That is what the computer says, and that is what you are going to get. I was unwilling to accept that type of answer.

I happened to be visiting with two of our local Council Bluffs ladies shortly after that, Mrs. Arlene Shelley and Mrs. Vera Daniels.

They also likewise were disadvantaged and unwilling to accept the excuse that we had been receiving. I might add that after hours and hours of research, we were amazed to learn of the number of things that was wrong with the Social Security, and what was taking place.

The three of us decided that we would poll our local Council Bluffs area residents, as many as possible, see if there was sufficient support to ask Congress to change this law.

The support, the encouragement we received from those people was overwhelming. I could not believe that there was as many

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people that was interested in seeing that something be done about this unfair situation.

That support has continued to grow ever since we started. It is getting bigger by the day. We have held informational meetings all over the States of Iowa, Nebraska, Wisconsin and Illinois, with attendance ranging from 75 to almost 500 people at our meetings.

This is sufficient information as far as I am concerned to encourage me to keep on telling people this story. We are presently working on 35 more informational meetings to be held during the month of November.

We are receiving requests constantly from out of State, requesting our services. There is only so many hours in the day, and only so much that each one can do, but I am sure with the additional encouragement, we will be able to furnish those people the services that they are asking for.

When I refer to we, I am referring to a corporation established in the State of Iowa and represented by the Midwest Notch Group, which supports thousands of people—I mean which has the support of thousands of people in the Midwest, as well as, I understand—I am finding out today, as well as the support of people all across the United States.

It is borne out by the people that is here with us today from other parts of the United States. These meetings are designed to educate the people as to the injustice of the notch and solicit their support, both financially and physically in an attempt to get legislation passed that will restore the benefits so secretly withheld from these older Iowans, or older Americans.

It is beyond our comprehension how our elected officials can tolerate such a flagrant act and not exhibit more compassion for their fellow man.

The erroneous facts we received regarding the necessity for the action in 1977, bankruptcy of the Social Security, and I am sure Congressman Daub would not agree with my statement, but there are, and it has been borne out by testimony by Senator Hawkins from Florida, that by the year 2020, there will be close to $20 trillion plus in the Social Security fund.

I would also like to mention, and have it entered into the record, the Social Security issued 10 million checks in 1982 to Social Security recipients, or over 10 million, I wonder where the 4 million difference went because I understand there is only 6 million Social Security people affected by this per Congressman Daub Statement.

I have also read the proposed articles referred to by the Congressman, he would like introduced into the record, and it would be real easy to repudiate those statements which I have read myself.

There were 16 to 1 people involved in the Social Security; in other words, 16 people paying into the Social Security for every 1 drawing out when the system started. True, today there are three paying for every one receiving benefits.

That is the way the system was originally started from the day it was introduced. They knew this would be the fact, so that is no change from when the system started.

One final note I would like to add: The main thing I wanted to add to that was the fact, we are going to look to Congress to correct this error, and we think that there has been sufficient studies

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made that they should have sufficient information to act on this situation at the present time, and no further study is necessary.

If they think that we are going to die off so it takes care of the problem, they are very badly mistaken, because we are going to live until this problem is taken care of.

I thank you.

Mr. LIGHTFOOT. Thank you, Mr. Cooper.

Now, we are going to move to the west coast. We started in Pennsylvania, then went to the Midwest, and now we have Mrs. Effie Hetrick, from Long Beach, CA.

STATEMENT OF EFFIE HETRICK, LONG BEACH, CA

Ms. HETRICK. It is indeed a fine privilege and an honor for me to be with you here today, and I want to thank our Washington representatives, our Congressmen, our Senators, who are all in support, and those who are not in support.

I want to thank them, because I do believe they are going to be in support. I want to say that I represent the State of California, the State assembly, the Senate, in getting through a bill that we got through in 1984, and a copy of that was sent to our President and to Members of the Senate, and Congress as well.

The State of California sends greetings to Washington, to all of you. I come representing millions of people, or hundreds of thousands of people in the notch. I come representing teachers' affiliations, and I come representing the 22--23 cities in the State of California of whom I went to, upon being appointed, my first encounter with Social Security was when I got in contact with Dear Abby, because of her article in the paper, and I called Washington the following morning, June 7, 1983, and talked to Councilman Mervyn Dymally; was this true?

He came to Hawthorne the following Saturday and we organized the following week and I had a resolution before the Hawthorne City Council, as well as the other six councils, and within 3 weeks, and I then immediately made contact with the American Legion, the VFW and other organizations throughout California who went to Sacramento and our State officials who helped to support, and we did pass a bill, so it is with great honor and respect that I represent these people throughout the United States now and for the first time, after working for 2½ years with people from Florida by letter, and by telephone many, many times into Iowa and Florida, and Nevada and Idaho, and the State of Washington, I finally last night, got to meet these wonderful workers of mine from the other States.

I hold high regards to our American Government, because as a child, I was taught to be honest, to respect my God and my country, to be honorable to my Government, and that I did, that I trusted and I was asked in the Los Angeles hearing, did I even think or consider how much money this notch was going to cost.

I said, yes, indeed, I certainly have, but I want to tell you my faith as a child is here with me today, that I believed and I trusted my Government, and I trust it today, and I just don't think there is any doubt that this money is out there somewhere and will be provided.

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To the Congressmen or Senators who might give opposition to this, I would want them to research further, and to, if for no other reason, I want to present the illnesses and the financial suffering, that I have gone into hundreds of homes in California and have gotten letters from other States in 2 years throughout the United States, people who are begging for help.

Ladies and gentlemen, we have within our age group of people some very, very independent Americans who, I found, are out there really suffering before they will not ask for help.

I have one lady who is living on $180 in Social Security. She is paying 80-some of that to a doctor and a hospital for long-term cancer. This lady, after expenses are paid for the month, lives on somewhere between $18 and $25 a month.

Another lady in Torrence, CA, I was called into the case, and I knew the lady would not be there for long, but she got caught up in that 350,000 or whatever number it was who got the great cutback a couple of years ago in Social Security, and all of her benefits, because she had been long term, she would be eliminated from the rolls.

She spent her last 7 months crying and wondering how she would exist financially because her benefits were gone. When I went and visited her, and saw that an 84-year-old lady was caring for her, I was determined by the grace of God that He had directed and identified friends across the United States that would give us support, and I, too, then, had friends and knew that men like Congressman Roybal, and various Congressmen were giving support and would give support.

I contacted also immediately in the State of California a lady who represents southern California in Social Security. I worked with this lady.

We tried to unveil and found the many things that were actually happening in California with the people who were then drawing Social Security. We found immediately as we went to research and she said she was not aware of this either, that a husband and wife who were in the notch and applied in 1983 for Social Security each time to a loss of $104.

That is $208 for a family. I say that I would like to present to you today my full opinion of—there is no more reason to ask, I don't think we need any more research, we need to get the problem resolved by passing H.R. 1917.

Thank you.

Mr. LIGHTFOOT. Let's move back to the middle of the country again, back to the Cornhusker State of Nebraska. We have Mrs. Julia Socha. She is from Omaha, NE.

STATEMENT OF JULIA SOCHA, OMAHA, NE

Ms. SOCHA. Thank you very much. My name is Julia Socha, and I come from the central part of the United States, Mr. Cooper and myself represent people from a number of States. I became involved in this situation shortly after retirement.

I found it very difficult to believe something like that could ever happened but the hard, cold facts are it can and did happen.

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After I attended a two or three meetings where the people from Council Bluffs conducted them, Mr. Cooper, at one of these meetings, made a plea for someone to please do something in the neighboring State of Nebraska.

After giving some consideration, I thought I would help this someone, but the person who had volunteered was unable to continue, and I found out that the someone was myself.

With the help of a group of people in Nebraska and support and direction from our Iowa group, we were able to get started with our group in Nebraska. We started our meetings in Omaha and expanded to the other parts of the State.

The group in Iowa and Nebraska have held over 150 meetings and talked to many, many people, sent out literature to many people. After many joint committee meetings, it was decided that we would form a corporation.

The corporation is the Committee To Correct Inequities in Social Security and Medicare.

Everybody wanted to do more, inform more people what we were doing, so they ran an ad in USA Today. As a result, we had 1,200 inquiries for information, in addition to information, we sent petitions to those who inquired, the petitions presented here today, 60,000 signatures came from all over the United States, including Hawaii and Alaska, so we have a lot of support coming from these people.

The postman still continues to bring letters to us, and inquiries from people who have gotten our names from someone else to give information on it.

I would like to direct the rest of my presentation to all U.S. Congressmen, especially to my own elected officials. We already know the AIME amendment was passed to provide a reduction of Social Security benefits of 5 to 7 percent. This is evidenced by letters of Congressman Pickle and Rostenkowski and others.

Many Representatives—many presentations have been made before the House and the Senate confirming this fact, and are recorded in congressional records.

Many benefits have since been reviewed and comparisons made, even by social security administrative people. As a result of the hearing in Iowa and California, thus there is sufficient evidence or proof that a reduction amounted to 13 to 30 percent.

This survey is not in accord with the intention of Congress in the passing of the AIME Amendment. For some time, Congress has been advised there was a drastic error in the formula which should be corrected.

We are not asking for retirees to be returned to the faulty 1972 formula. We are asking that the formula be corrected to what the AIME amendment really intended to do, 5 to 7 percent.

H.R. 1917 has been introduced in the House, it is in the Ways and Means Committee and S. 1060 as in the Senate, we feel these bills would do just that, so we are asking our Congressmen to please cosign the appropriate proposal so distribution of Social Security benefits will be done legally in accordance with the intents of the 1977 amendments.

I will conclude by saying to my Congressman, if your $75,100 annual salary, which amounts to $6,000-plus a month, was acciden-

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tally or otherwise issues to you as $600 a month, would it take an amendment or 7 years to get this error corrected?

Why shouldn't the error on the AIME amendment formula be corrected promptly also? I thank you.

Mr. LIGHTFOOT. The last member of our first panel is from the sunny State of Florida, Mr. Julian Stern.

Mr. Stern.

STATEMENT OF JULIAN STERN, DEL RAY BEACH, FL

Mr. STERN. Good afternoon.

I am Julian Stern, chairman of the Social Security Notch Year Committee of Del Ray Beach, FL, affiliated with the Palm Beach Political Cooperative. I became involved in the correct the inequities of the Reform Act of 1977, also known as the Notch Act, when I was told by my Social Security office that my 1979 income would not be included in my earnings record, because I was a notch baby.

I had been trying to find out why this money was not included for more than a year. I was also told that I was not informed previously, because they knew what my reaction would be.

They didn't know what my action would be. My first efforts were to write my Congressman and my Senators, and then I decided to go public with the problem, so I discussed it at my men's club, at my Democratic club and my various veterans' clubs that I belong to.

I have also spoken at condominium meetings in my area, and in adjacent communities and anywhere I could find a platform. I was amazed to learn how many people were unaware of the notch year bill.

As I got into this fight, I got a little smarter. I felt resolutions form our State and local governments would help our case. With the help of Palm Beach County commissioner, Dorothy Wilkins and Florida State representative Steve Press, I succeeded in obtaining resolution from the county of Palm Beach and the State of Florida, and Representative Press wrote letters in our behalf to the legislators of the other 49 States.

I believe we were instrumental in getting the States of Nebraska and New York to follow suit. We have hopes of adding New Jersey and Pennsylvania in the near future.

On August 14, 1985, which was designated National Notch Baby Day, I secure a proclamation from the Palm Beach Commissioners designating that day as National Notch Baby Day in Palm Beach County.

Other efforts to effect the change in this discriminatory law have been through the news media in south Florida, and the response to the many articles written about me generated a tremendous response in the form of petition signatures, and an avalanche of letters to the Congressmen.

Some of the cards I received were an expression of anger at being unaware of the existence of this law, while others informed me that Social Security is their only form of income, and any additional money they might receive, due to a revision of the Reform Act, would help them immeasurably.

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I am known as "Mr. Notch" in my home State, and constantly being stopped on the street or in the supermarket by people inquiring when is something going to be done on our behalf?

I would like to be able to go back home and tell these people that something will be done soon to correct the inequities that we created by the Reform Act of 1977.

Our researchers disclosed that letters addressed to Congressmen from correspondence not included in their constituencies, in many cases go unanswered. It was decided to work through the political clubs.

We have chosen Florida as our first test area, and we obtained a list of all the Democratic clubs in the State of Florida and excluded those clubs located in the districts where Congressmen are also cosponsors, Congressman Dan Mica, Larry Smith, and we have asked these clubs to write to their Congressmen, who are not cosponsors, urging them to become part of H.R. 1917.

We have hopes of obtaining the same information from the Republican Committee of Florida. We feel that this is a nonpartisan issue, and everyone affected should be involved.

Gentlemen, I have never been an activist, but I must say this unjust legislation of second-class citizens has changed me very quickly. I was not brought up to be a second-class citizen, and I would like it changed.

I would like to read into the record a letter I received from a woman, Mr. and Mrs. Chester Dunford.

Dear Mr. Stern, after reading your article in the Post, both my husband and myself were absolutely outraged to think that we come into this so-called category of "notch babies;" 65-year-old "notch babies."

Like the old cliche, "highway robbery." We really could use the increase and feel what you have done and are doing should be very highly commended. We commend you. Now, besides writing to Congressman Lewis, what more can I do? I unfortunately have a heart problem, but I can write and use the phone. Please advise, thank you again for your extreme efforts and believe me, you are being heard, as you can see. Hopefully, it will not take years to adjust, as I unfortunately do not have years.

We have to do something for these people. Thank you very much.

Mr LIGHTFOOT. Thank you, Mr. Stern.

Thank you all for very fine testimonies on the notch. As you came in, the committee handed out some information which is from the Social Security Administration stating where the surpluses will be in the future. I intend to enter that into the record to substantiate your testimony.

[The information follows:]

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Table 4

Estimated operations of the OASI, DI, and HI trust funds under present law on the basis of the 1985 Trustees Report alternative II-B assumptions, calendar years 1984-94

(Amounts in billions)

Calendar year	Income					Outgo					Interfund borrowing transfers 1/		
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	HI
1984	$169.3	$17.3	$186.6	$46.7	$233.4	$161.9	$18.5	$180.4	$43.9	$224.3	---	---	---
1985	181.5	18.1	199.5	52.0	251.5	172.9	20.3	193.2	48.8	242.0	-$4.4	$2.5	$1.8
1986	197.1	19.2	216.4	59.7	276.1	184.1	20.4	204.5	50.6	255.1	-7.5	2.5	5.0
1987	214.4	20.6	235.0	65.2	300.2	198.5	21.5	220.0	55.8	275.8	-9.6	---	9.6
1988	246.8	23.3	270.1	70.5	340.6	214.2	22.8	237.0	61.9	298.9	---	---	---
1989	270.9	25.4	296.3	76.2	372.5	230.2	24.2	254.5	68.4	322.8	---	---	---
1990	297.5	30.7	328.3	81.7	409.9	247.4	25.7	273.1	75.5	348.6	---	---	---
1991	319.8	33.3	353.0	86.4	439.5	263.5	27.2	290.7	83.2	373.9	---	---	---
1992	343.9	35.8	379.8	91.4	471.2	280.4	28.9	309.3	90.9	400.2	---	---	---
1993	369.0	38.5	407.5	96.3	503.8	298.0	30.9	328.9	99.5	428.4	---	---	---
1994	397.5	41.5	439.0	101.8	540.7	316.6	33.1	349.6	108.7	458.3	---	---	---

	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year 2/				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1984	$7.4	-$1.2	$6.2	$2.8	$9.0	$27.1	$4.0	$31.1	$15.7	$46.8	20%	35%	21%	29%	23%
1985	-4.2	.3	-4.5	5.0	9.6	31.3	4.3	35.6	20.7	56.3	24	26	24	32	26
1986	5.5	1.6	6.8	14.2	21.0	36.8	5.6	42.4	34.9	77.3	24	27	25	41	28
1987	10.5	-.9	9.4	15.0	24.4	47.1	4.7	51.8	49.9	101.7	26	35	27	63	36
1988	32.6	.5	33.1	8.6	41.7	79.7	5.2	84.9	58.5	143.5	30	28	30	81	40
1989	40.7	1.2	41.9	7.9	49.7	120.4	6.4	126.8	66.4	193.2	43	29	41	86	51
1990	50.1	5.0	55.1	6.2	61.3	170.5	11.4	181.9	72.6	254.5	57	33	54	88	62
1991	56.3	6.1	62.3	3.2	65.6	226.8	17.5	244.3	75.8	320.1	73	50	71	87	76
1992	63.6	6.9	70.5	.5	71.0	290.4	24.4	314.7	76.3	391.1	89	69	87	83	86
1993	71.0	7.6	78.6	-3.2	75.4	361.3	32.0	393.3	73.2	466.5	105	87	104	77	97
1994	80.9	8.4	89.3	-6.9	82.5	442.3	40.4	482.7	66.3	549.0	122	105	121	67	108

1/ Positive figures represent repayments of amounts owed by other trust funds. Negative figures represent repayments of amounts owed to other trust funds.

2/ Assets at beginning of year are defined for the OASI and DI trust funds as assets at end of prior year plus the respective OASI and DI advance tax transfers for January.

Social Security Administration
Office of the Actuary
April 8, 1985

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Mr. LIGHTFOOT. Also, I am going to enter into the record a case which I think points it out as visibly as anyone and happens to be an individual who is from my district, but this lady received $359. If she had been born 6 weeks different she would receive $519. Sixty dollars a month difference.

[The information follows:]

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SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES
EDWARD R. ROYBAL, Chairman

AN EXAMPLE OF THE NOTCH
DARLYNE FRAZEUR
OF
GRISWALD, IOWA

I. Mrs. Frazeur, born on February 12, 1917 is a "Notch" baby who, at age 67, continues to work full time.

II. If Mrs. Frazeur had been born six weeks earlier, in December 1916, she would be entitled to 44 percent more ($160) a month on her own work record than she is due under the notch formula. Therefore, by being born six weeks too late, Mrs. Frazeur's S.S. benefits will be reduced by $1,920 a year for life.

Worker benefit for Feb. 1917 birthdate:	$359
Worker benefit if born in Dec. 1916:	$519
Monthly Difference	$160
Annual Loss	$1,920

III. Currently Mrs. Frazeur is actually eligible for higher monthly benefits as a spouse on her husband's record than as a worker under the notch formula. She has gotten no additional benefits from continuing to work and pay Social Security taxes.

Current worker benefit:	$359
Current benefit as a spouse:	$385
Current benefit payable:	$385

IV. H.R. 4093 restore's $105 of the $160 reduction in Mrs. Frazeur's monthly worker benefit. This is $79 a month more than the benefits she can receive as a spouse.

	Current Law	H.R. 4093	Difference
Benefits as spouse:	$385	$385	0
Benefits as worker:	$359	$464	+$105
Benefits payable:	$385	$464	$79

Prepared for Chairman Roybal and Congressman Harkin by Allen Johnston, Staff Director, Subcommittee on Retirement Income and Employment (202) 226-3335.

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Joining me now is Congressman Dymally from California. Before we start on the questions, Congressman, do you have a statement you would like to make?

Mr. DYMALLY. I would like to extend a very warm welcome to Ms. Hetrick. She was one of the first persons, if not the first person, who really took this issue and went all over California, from the city council all the way to the California legislature. In fact, came to Washington last year and brought thousands of signatures, and so I am very pleased to see her here and welcome her here to this very, very important hearing.

Mr. LIGHTFOOT. Thank you.

They brought us about 60,000.

STATEMENT OF JENNIE McGONIGLE Pittsburgh, Pa.

Ms. MCGONIGLE. 130,000 from across this great Nation, sir.

Mr. LIGHTFOOT. Are these signatures from people born in the notch years or are they signatures from everyone? Are they strictly notchers?

Mr. MCGONIGLE. Absolutely.

Mr. LIGHTFOOT. What would you like us to do with the petitions?

Mr. COOPER. They are not from strictly notch. A large portion of them are. But we had no way to control if someone else might ask because there were older people as well as younger ones that are interested in our cause and want to see the thing corrected and they insisted on signing, consequently, we could not rule them out.

We had to give them that privilege. But there are 130 or over that many signatures in the group on the table.

Mr. LIGHTFOOT. No. 1, I think you are to be congratulated for the work you did in collecting these signatures and so that we can get the most impact out of them, would it be your desire to have taken them to Chairman Rostenkowski of the Ways and Means Committee. Is that where you want them to go?

Mr. STERN. We have a speaker on that, sir.

Mr. LIGHTFOOT. We will call her at this point.

Ms. MCGONIGLE. My name is Jennie McGonigle, and I come from Pittsburgh, PA. I am delighted to be here to address this terrible situation. I was on a radio program last week. For 1 hour we received calls from the audience. They were appalled.

They weren't even aware that this condition existed. Now, income is a primary concern in evaluating the economic well-being of the elderly. The notch is not only unfair, but it is un-American. Mistakes are made to be corrected.

This mistake and its correction is long overdue. The social security must be taken out of the unified budget. It can and must be a separate entity. The notch babies have been deficient too long.

What are we? Second-class citizens? I want the powers that be to know that when Social Security was enacted, it was meant to treat all its recipients the same, given that same moneys were paid into the same fund. We pay the same. Then why are we not getting our just dues?

I believe that my Government and everybody's Government has to be involved in two things. First of all, we must ensure the secu-

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rity of our Nation. We must be able to defend our country and maintain a strong defense.

But we must make sure that our society treats our senior citizens fairly. They are retired and they are a vulnerable group in our society. They depend on Social Security and Medicare into which they have paid all of their lives. These programs were contracts we made with our elderly and we better make sure they are on order.

Now, I urge each and everyone of the people that fall into this category to write to their Representatives, give them their Social Security numbers, the years of their date and ask him to investigate their own personal Social Security bracket.

Perhaps after all these Senators and Representatives see the great difference—and it can be as much as 108-odd—they will act. I think that this is an injustice. I think that you should act on it immediately because how much longer do we have? We all average into the high sixties.

Thank you.

Mr. LIGHTFOOT. Thank you. We have about five more witnesses we want to give an opportunity to speak. We are running short on time so what we would like to have you do, as we call your name, if you would come up to the microphone here in front and make your statement please.

At this time we would like to call on Helene Furer, and as they say in baseball, on deck will be Maurice Quinlan.

STATEMENT OF HELENE V. FURER

Ms. FURER. I would like to correct. My name is Helene V. Furer.

Mr. LIGHTFOOT. I am sorry. Sixteen years in the radio business and I never did get names right then either.

Ms. FURER. That is all right.

Without doubt the Social Security Act that was signed into law August 14, 1935 was President Roosevelt's most important domestic achievement. The greatest democratic revolution in our history.

Today, 5 years, 2 months and 1 day later, we older Americans here declare we are on the verge of a human revolution if resolution to the Social Security Amendment of 1977 are not enacted by Congress.

Let me speak for them. Our guard is up and we are not letting it down. This Congress seems to have a blind spot when it comes to human rights. This contradictory position of this Congress is becoming more evident with each passing day. It is a sad day for the greatest democracy the world has ever seen, a contradiction in human rights.

Is this Congress waiting for us notchers to die? Some of us will before the concern is resolved, but our younger folks need to know this fight is ways for them and their children. Only about 58 percent of the payroll tax contribution goes for old age benefits. The remainder pays for survivors and disability benefits and Medicare.

There is no totality of the plain equivalent to what you can buy for your 7.5 percent payroll deduction. Let's take a look at that payroll deduction.

One of Social Security's historic moments in 1977, stated to avert a financial crisis, combined employer, employee payroll tax raised

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from just under 12 percent to 15.3 percent by 1990. Wake up, young America and notchers. I understand that payroll FICA began this year in 1985.

Five years before its originally planned date and has only a few percentage points to reach the legislative maximum culmination of 15.3 for the 1990 date.

You youngsters should know that we older Americans have been collecting experience, bits of wisdom, sights, sounds and feelings for every day for as long as we live and we don't like what we are seeing and hearing today. You are being ripped off just as we have been.

You had better check this out. Back in 1983 Congress and the administration appear to have overdone it with a Social Security rescue package. Today there is $126 billion surplus in the trust fund, $1 trillion in the trust fund, to say nothing of the dead fund.

In 15 years, the year 2000, the surplus is estimated to be $1.4 trillion; in 2010, $4.6 trillion; by 2015, $7 trillion; by 2020, $10 trillion. The former Commissioner Robert M. Ball notes the system will be taking in $62 billion annually, more than it pays out by 1990. Listen, America. I am repeating—these estimated figures reflect surpluses not payments. The money is there for full restitution beginning in 1985 without increased taxes.

Thank you.

Mr. LIGHTFOOT. Thank you.

Our next witness is Maurice Quinlan. Nickname is Buzz. Chuck Stahl will be on deck following him.

STATEMENT OF MAURICE QUINLAN

Mr. QUINLAN. Thank you, sir. I would like to address a matter of conscious which I am very concerned about. Sir, I cannot comprehend why the 95th Congress, the present Congress or any Congress could sanction a piece of legislation that was so flawed that it completely eliminated the earnings of us workers after age 61. I, myself, worked past 65 so any of us that worked for 62, 63, 64, 65 or longer were working for free.

Yet at the same time we continued to pay our social security taxes. We continued to support the fund, make it available for everybody and we can't even get what we earned.

So I feel that this has to be—how these people can sit there and totally arbitrarily ignore this, I can't comprehend.

So if I may, sir, I would like to make a last few remarks to our people. You people out there, I know you all are strong-willed or you wouldn't be here.

You must recognize that any organization is only as strong as its weakest link. I hope you will go home each of you and convince yourselves that none of you are going to be that weak link. Remember, if we don't hang together we are going to hang separately.

Thank you.

Mr. LIGHTFOOT. Thank you, Mr. Quinlan.

Chuck Stahl.

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STATEMENT OF CHUCK STAHL

Mr. STAHL. You are right, sir. Is this on?

My name is Chuck Stahl. I am a notch baby. I am a high school graduate, a veteran of World War II where I served with the Seabees in 1943 to December 1945. As a Navy reservist I was recalled to active duty from October 1950, December, to 1951 in connection with the Korean conflict.

I have been a union carpenter since 1946 and for the past 12 years I served as a business representative for Carpenters District Council of Western Pennsylvania. We have about 10,000 members in our district council and the most recent count or retirees showed that there are 2,480 retirees. And exactly one-third of these are notch babies.

I venture to say that 80 percent are veterans. When we were here in Washington this spring to discuss our problems, one of the Senators admitted that Congress had made an error and it appeared that as far as he was concerned the matter was finished.

Almost weekly we read in our newspapers or are informed by way of TV or radio of cases of discrimination and how strongly the Government bodies frown upon discrimination. But this notch baby situation is a flagrant case of discrimination against the people who are most in need of finance, our aged.

We are entitled to fair treatment and not discriminatory treatment. A couple of years ago I made an error on my income tax. The IRS is not on the same level as our Congressmen. I had to pay for my error and also had to pay extra because it took IRS a few months to discover the error and they didn't care where I got the money. Some notch babies would agree to a token settlement.

I personally believe in the IRS system. Give us what you owe us. We don't care where you get it and don't forget to add the interest.

The notch babies personally cost me a 28 percent cut in my benefits.

Thank you.

Mr. LIGHTFOOT. George Hillman is our next witness, who will then be followed by Nicolas Leilock.

STATEMENT OF GEORGE HILLMAN, PITTSBURGH, PA

Mr. HILLMAN. I am George Hillman from Pittsburgh area. I have worked with Tony Purcell on this notch issue. We don't only have to convince our Government, also our young people who are losing confidence in the Social Security System.

I think once we correct this notch situation they will help us to correct the whole system and there will be something for them at their time of retirement. I think if we continue to write letters and work with our leaders, we can correct this House bill 1917.

I thank you.

Mr. LIGHTFOOT. Thank you.

Our next witness is Nicolas Leilock.

Mr. Leilock—Mrs. McGonigle, are you the pinch hitter?

Mrs. MCGONIGLE. I am everything. I just hope my boss does not know where I am at today.

Mr. LIGHTFOOT. We won't tell a soul.

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Mrs. MCGONIGLE. On behalf of all the notch babies, the ones that are here and the ones that are not aware of the fact, we all want to present to you these 100,000 petitions. We have a lot more back in Pittsburgh. They were still—on Saturday somebody came to my door with 400 of them.

So you will be getting more. I want to extend my thanks to everybody for the consideration you have shown us and I do hope that you put yourself in our shoes.

Most of the men who are recipients of this notch deal are veterans and I hope that you really give it some very serious consideration and give us a Christmas present we would all enjoy.

Thank you very much.

Mr. DECANINI. Mr. Lightfoot, may I say a few words?

Mr. LIGHTFOOT. Certainly.

STATEMENT OF MR. DeCANINI

Mr. DECANINI. I am Mr. DeCanini from Pittsburgh, PA, and I am working with Anthony Purcell, and I hear all these different statements made. When the social security was first implicated there was no problem. The Congress did through the years—the Government down through the years took our money out of there, not for the use of our money. They just took it to spend it the way they see fit. Now they are saying that they have no money. We had no part in this. They did it and now they want us to take the fall for it.

So I want that in the record. We did nothing to harm our Social Security. They took the money. They used other programs in there and they put the Social Security in the shape that it was in when they voted on this notch baby.

Thank you.

Mr. LIGHTFOOT. Thank you, sir.

We have one final witness, Lillian Clark.

Lillian Clark.

I have a couple of quick questions I would like to ask. We are past our time limit, but perhaps Ms. McGonigle or Mr. Purcell would be the best people to answer this questions.

We have five States represented here today. As far as organized groups are concerned, how many groups are there across the country?

Do you know how many different groups there are? As we say, we have five States here today, but what do we have nationwide?

Ms. MCGONIGLE. I know that just in the last 2 months we have gained great momentum. I was on the Beth Smith show in Florida and she is going to start working down there and what we are instituting is a 10-call-10 program. That is 1 notch baby will call 10 notch babies. Those 10 will call 10 in return.

Then we are all going to start to write to our representatives and let them tell us the difference in our checks and then maybe when they can see how badly we have been hurt in our pocketbook and they realize that we have made just as great a sacrifice as the other people, then maybe they will give us that Christmas present.

Mr. LIGHTFOOT. OK. Thank you.

With that we are going to thank all of you for coming today. On behalf of my colleague, Congressman Dymally from California and

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Chairman Roybal, who as I mentioned is in California today, thank you for coming. Mr. Roybal will meet with the leaders tomorrow at 1:30 in room 2211 in the Rayburn Building.

We certainly appreciate your testimony that you have given this afternoon. We hope that it will go a long ways in helping with the notch problem. We will see that Mr. Rostenkowski receives the petitions. I am going to adjourn the meeting now and then we have a couple of quick announcements to make. The hearing is adjourned.

[Whereupon, at 1:20 p.m. the hearing was adjourned, subject to the call of the Chair.]

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SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES
EDWARD R. ROYBAL, CHAIRMAN

MEMORANDUM

COSPONSORS OF H.R. 1917 1/

Chairman Edward R. Roybal's Bill
To Correct The Notch Problem

BOLDED CAPS = COSPONSOR
Regular Type = Non-Sponsor

# of Cosponsors as of 1/2/96 = 110
# of Cosponsors still needed for majority = 109

ALABAMA

TOM BEVILL (D)
Ben Erdreich (D)
Ronnie Flippo (D)
Bill Nichols (D)
RICHARD SHELBY (D)
Sonny Callahan (R)
WILLIAM DICKINSON (R)

ALASKA

DON YOUNG (R)

ARIZONA

Morris Udall (D)
Jim Kolbe (R)
John McCain (R)
Eldon Rudd (R)
Bob Stump (R)

ARKANSAS

Bill Alexander (D)
Beryl Anthony (D)
Tommy Robinson (D)
J. P. Hammerschmidt (R)

CALIFORNIA

Glenn Anderson (D)
Jim Bates (D)
Anthony Beilenson (D)
HOWARD BERMAN (D)
Douglas Bosco (D)
Barbara Boxer (D)
GEORGE BROWN (D)
SALA BURTON (D)
TONY COELHO (D)
RONALD DELLUMS (D)
Julian Dixon (D)
MERVYN DYMALLY (D)
Don Edwards (D)

CALIFORNIA CONT.

VIC FAZIO (D)
AUGUSTUS HAWKINS (D)
TOM LANTOS (D)
Richard Lehman (D)
Mel Levine (D)
MATTHEW MARTINEZ (D)
Robert Matsui (D)
George Miller (D)
NORMAN MINETA (D)
Leon Panetta (D)
EDWARD ROYBAL (D)
Fortney Stark (D)
Esteban Torres (D)
Henry Waxman (D)
Robert Badham (R)
Eugene Chappie (R)
W.E. Dannemeyer (R)
Robert Dornan (R)
David Dreier (R)
Bobbi Fiedler (R)
Duncan Hunter (R)
Robert Lagomarsino (R)
Jerry Lewis (R)
Bill Lowery (R)
Dan Lungren (R)
Alfred McCandless (R)
Carlos Moorhead (R)
Ron Packard (R)
Charles Pashayan (R)
Norman Shumway (R)
William Thomas (R)
Ed Zschau (R)

COLORADO

Patricia Schroeder (D)
Timothy Wirth (D)
Hank Brown (R)
Kenneth Kramer (R)
Daniel Schaefer (R)
Michael Strang (R)

CONNECTICUT

SAMUEL GEJDENSON (D)
Barbara Kennelly (D)
Bruce Morrison (D)
Nancy Johnson (R)
Stewart McKinney (R)
JOHN ROWLAND (R)

DELAWARE

Thomas Carper (D)

FLORIDA

CHARLES BENNETT (D)
Bill Chappell (D)
Dante Fascell (D)
DON FUQUA (D)
Sam Gibbons (D)
Earl Hutto (D)
Bill Lehman (D)
Kenneth MacKay (D)
DANIEL MICA (D)
Bill Nelson (D)
Claude Pepper (D)
LARRY SMITH (D)
Michael Bilirakis (R)
Andy Ireland (R)
Tom Lewis (R)
Connie Mack (R)
Bill McCollum (R)
E. CLAY SHAW (R)
Bill Young (R)

GEORGIA

Doug Barnard (D)
George Darden (D)
Wyche Fowler (D)
Charles Hatcher (D)
Ed Jenkins (D)
Richard Ray (D)
J. Roy Rowland (D)
Lindsay Thomas (D)
Newt Gingrich (R)
PATRICK SWINDALL (R)

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MEMORANDUM

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# of Cosponsors as of 1/2/88 = 110
# of Cosponsors still needed for majority = 109

HAWAII

Daniel Akaka (D)
Cecil Heftel (D)

IDAHO

Richard Stallings (D)
Larry Craig (R)

ILLINOIS

Frank Annunzio (D)
Terry Bruce (D)
CARDISS COLLINS (D)
Richard Durbin (D)
LANE EVANS (D)
Kenneth Gray (D)
CHARLES HAYES (D)
William Lipinski (D)
Melvin Price (D)
Dan Rostenkowski (D)
Marty Russo (D)
Gus Savage (D)
Sidney Yates (D)
Phillip Crane (R)
Harris Fawell (R)
John Grotberg (R)
Henry Hyde (R)
Edward Madigan (R)
Lynn Martin (R)
Robert Michel (R)
George O'Brien (R
John Porter (R)

INDIANA

Lee Hamilton (D)
Andrew Jacobs (D)
Frank McCloskey (D)
Phillip Sharp (D)
Peter Visclosky (D)
Dan Burton (R)
Daniel Coats (R)
John Hiler (R)
Elwood Hillis (R)
John Myers (R)

IOWA

Berkley Bedell (D)
Neal Smith (D)

IOWA CONT.

Cooper Evans (R)
JIM LEACH (R)
JIM LIGHTFOOT (R)
Tom Tauke (R)

KANSAS

Dan Glickman (D)
Jim Slattery (D)
Jan Meyers (D)
Pat Roberts (R)
Robert Whittaker (R)

KENTUCKY

Carroll Hubbard (D)
Romano Mazzoli (D)
William Natcher (D)
CARL PERKINS (D)
Larry Hopkins (R)
Harold Rogers (R)
Gene Snyder (R)

LOUISIANA

Lindy Boggs (D)
John Breaux (D)
Jerry Huckaby (D)
Cathy Long (D)
Buddy Roemer (D)
Billy Tauzin (D)
Robert Livingston (R)
Henson Moore (R)

MAINE

JOHN MCKERNAN (R)
Olympia Snowe (R)

MARYLAND

Michael Barnes (D)
Beverly Byron (D)
ROY DYSON (D)
Steny Hoyer (D)
BARBARA MIKULSKI (D)
PARREN MITCHELL (D)
Helen Bentley (R)
Marjorie Holt (R)

MASSACHUSETTS

CHESTER ATKINS (D)
Edward Boland (D)
Brian Donnelly (D)
Joseph Early (D)
BARNEY FRANK (D)
EDWARD MARKEY (D)
NICHOLAS MAVROULES (D)
JOE MOAKLEY (D)
Tip O'Neill (D)
Gerry Studds (D)
Silvio Conte (R)

MICHIGAN

David Bonior (D)
BOB CARR (D)
JOHN CONYERS (D)
George Crockett (D)
John Dingell (D)
William Ford (D)
DENNIS HERTEL (D)
DALE KILDEE (D)
Sander Levin (D)
BOB TRAXLER (D)
Howard Wolpe (D)
WILLIAM BROOMFIELD (R)
Robert Davis (R)
Paul Henry (R)
Carl Pursell (R)
Bill Schuette (R)
Mark Siljander (R)
Guy Vander Jagt (R)

MINNESOTA

James Oberstar (D)
Timothy Penny (D)
Martin Sabo (D)
Jerry Sikorski (D)
BRUCE VENTO (D)
Bill Frenzel (R)
Arlan Stangeland (R)
VIN WEBER (R)

MISSISSIPPI

Wayne Dowdy (D)
SONNY MONTGOMERY (D)
Jamie Whitten (D)
Webb Franklin (R)
Trent Lott (R)

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MEMORANDUM

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To Correct The Notch Problem

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MISSOURI

William Clay (D)
Richard Gephardt (D)
Ike Skelton (D)
Harold Volkmer (D)
Alan Wheat (D)
Robert Young (D)
Thomas Coleman (R)
Bill Emerson (R)
Gene Taylor (R)

MONTANA

Pat Williams (D)
Ron Marlenee (R)

NEBRASKA

Doug Bereuter (R)
Hal Daub (R)
Virginia Smith (R)

NEVADA

HARRY REID (D)
Barbara Vucanovich (R)

NEW HAMPSHIRE

Judd Gregg (R)
Robert Smith (R)

NEW JERSEY

BERNARD DWYER (D)
JAMES FLORIO (D)
Frank Guarini (D)
JAMES HOWARD (D)
William Hughes (D)
Peter Rodino (D)
ROBERT ROE (D)
ROBERT TORRICELLI (D)
Jim Courter (R)
Dean Gallo (R)
MATTHEW RINALDO (R)
MARGE ROUKEMA (R)
James Saxton (R)
CHRISTOPHER SMITH (R)

NEW MEXICO

Bill Richardson (D)
Manuel Lujan (R)
Joe Skeen (R)

NEW YORK

GARY ACKERMAN (D)
JOSEPH ADDABBO (D)
MARIO BIAGGI (D)
Thomas Downey (D)
Robert Garcia (D)
John LaFalce (D)
Stanley Lundine (D)
THOMAS MANTON (D)
Matthew McHugh (D)
ROBERT MRAZEK (D)
Henry Nowak (D)
MAJOR OWENS (D)
CHARLES RANGEL (D)
JAMES SCHEUER (D)
CHARLES SCHUMER (D)
STEPHEN SOLARZ (D)
Samuel Stratton (D)
EDOLPHUS TOWNS (D)
TED WEISS (D)
SHERWOOD BOEHLERT (R)
William Carney (R)
Joseph DioGuardi (R)
Fred Eckert (R)
HAMILTON FISH (R)
BENJAMIN GILMAN (R)
Bill Green (R)
FRANK HORTON (R)
Jack Kemp (R)
NORMAN LENT (R)
David Martin (R)
Raymond McGrath (R)
Guy Molinari (R)
Gerald Solomon (R)
GEORGE WORTLEY (R)

NORTH CAROLINA

BILL HEFNER (D)
WALTER JONES (D)
STEPHEN NEAL (D)
CHARLES ROSE (D)
Tim Valentine (D)
Charles Whitley (D)
James Broyhill (R)
William Cobey (R)
Howard Coble (R)
Bill Hendon (R)
Alex McMilan (R)

NORTH DAKOTA

Byron Dorgan (D)

OHIO

DOUGLAS APPLEGATE (D)
Dennis Eckart (D)
EDWARD FEIGHAN (D)
Tony Hall (D)
MARCY KAPTUR (D)
Thomas Luken (D)
MARY ROSE OAKAR (D)
Don Pease (D)
John Seiberling (D)
LOUIS STOKES (D)
JAMES TRAFICANT (D)
MICHAEL DEWINE (R)
Bill Gradison (R)
John Kasich (R)
THOMAS KINDNESS (R)
DELBERT LATTA (R)
Bob McEwen (R)
Clarence Miller (R)
Michael Oxley (R)
Ralph Regula (R)
Chalmers Wylie (R)

OKLAHOMA

James Jones (D)
Dave McCurdy (D)
Mike Synar (D)
Wes Watkins (D)
Mickey Edwards (R)

OREGON

Les AuCoin (D)
James Weaver (D)
Ron Wyden (D)
Robert Smith (D)
Denny Smith (R)

PENNSYLVANIA

Robert Borski (D)
William Coyne (D)
ROBERT EDGAR (D)
Thomas Foglietta (D)
JOSEPH GAYDOS (D)
William Gray (D)
PAUL KANJORSKI (D)
JOSEPH KOLTER (D)
PETER KOSTMAYER (D)
AUSTIN MURPHY (D)
John Murtha (D)
DOUG WALGREN (D)
GUS YATRON (D)

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PENNSYLVANIA CONT.

WILLIAM CLINGER (R)
Lawrence Coughlin (R)
George Gekas (R)
Bill Goodling (R)
JOSEPH MCDADE (R)
Thomas Ridge (R)
Donald Ritter (R)
Richard Schultze (R)
Bud Shuster (R)
Robert Walker (R)

RHODE ISLAND

FERNAND ST. GERMAIN (D)
Claudine Schneider (R)

SOUTH CAROLINA

Butler Derrick (D)
John Spratt (D)
Robert Tallon (D)
Carroll Campbell (R)
Thomas Hartnett (R)
Floyd Spence (R)

SOUTH DAKOTA

THOMAS DASCHLE (D)

TENNESSEE

Bill Boner (D)
Jim Cooper (D)
Harold Ford (D)
Bart Gordon (D)
Ed Jones (D)
MARILYN LLOYD (D)
JOHN DUNCAN (R)
JAMES QUILLEN (R)
Don Sundquist (R)

TEXAS

Mike Andrews (D)
Jack Brooks (D)
John Bryant (D)
ALBERT BUSTAMANTE (D)
Ronald Coleman (D)
Martin Frost (D)
Kika de la Garza (D)

TEXAS CONT.

HENRY GONZALEZ (D)
Ralph Hall (D)
SAM HALL (D)
Marvin Leath (D)
MICKEY LELAND (D)
Solomon Ortiz (D)
Jake Pickle (D)
Charles Stenholm (D)
Charles Wilson (D)
Jim Wright (D)
Bill Archer (R)
Richard Armey (R)
Steve Bartlett (R)
Joe Barton (R)
Beau Boulter (R)
Larry Combest (R)
Tom DeLay (R)
Jack Fields (R)
Tom Loeffler (R)
Mac Sweeney (R)

UTAH

James Hansen (R)
David Monson (R)
Howard Nielson (R)

VERMONT

James Jeffords (R)

VIRGINIA

Frederick Boucher (D)
DAN DANIEL (D)
James Olin (D)
Norman Sisisky (D)
Herbert Bateman (R)
Thomas Bliley (R)
French Slaughter (R)
Stan Parris (R)
William Whitehurst (R)
Frank Wolf (R)

WASHINGTON

Don Bonker (D)
Norman Dicks (D)
Thomas Foley (D)
Mike Lowry (D)

WASHINGTON CONT.

Allan Swift (D)
Rodney Chandler (R)
John Miller (R)
Sid Morrison (R)

WEST VIRGINIA

Alan Mollohan (D)
NICK RAHALL (D)
HARLEY STAGGERS (D)
BOB WISE (D)

WISCONSIN

Les Aspin (D)
Robert Kastenmeier (D)
Gerald Kleczka (D)
Jim Moody (D)
David Obey (D)
Steve Gunderson (R)
Thomas Petri (R)
Toby Roth (R)
JAMES SENSENBRENNER (R)

WYOMING

Dick Cheney (R)

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APPENDIX 2

AMERICAN ENTERPRISE INSTITUTE
LEGISLATIVE ANALYSES

Proposals to Deal with the Social Security Notch Problem

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D. Gale Johnson, *Eliakim Hastings Moore Distinguished Service Professor of Economics and Chairman, Department of Economics, University of Chicago*

Robert A. Nisbet, *Adjunct Scholar, American Enterprise Institute*

Herbert Stein, *A. Willis Robertson Professor of Economics Emeritus, University of Virginia*

Murray L. Weidenbaum, *Mallinckrodt Distinguished University Professor and Director, Center for the Study of American Business, Washington University*

James Q. Wilson, *Henry Lee Shattuck Professor of Government, Harvard University*

*On leave for government service.

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Edward Styles, *Director of Publications*

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Russell Chapin, *Legislative Analyses*
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Marvin Esch, *Seminars and Programs*
Thomas F. Johnson, *Economic Policy Studies*
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INTRODUCTION

Members of Congress regularly confront a multitude of social security problems. In recent years, however, none has plagued them more in town meetings and constituent mail than the social security notch problem.

Arising out of major benefit reform and financing legislation enacted in 1977, the benefit notch—a perceived loss of benefits by recipients who first became eligible after 1978—has created an image problem, one that raises concern about congressional ability to legislate fair changes in the social security program.

Although the notch was unintended, the changes in the benefit rules enacted in 1977 were urgently needed. The benefits awarded to new social security recipients were rising rapidly—at rates exceeding both inflation and wage growth in the economy. Without action by Congress, the rising benefits and a deteriorating economy would have made the system financially insolvent within a few years.

Resolution of the current issue is not a simple matter. Repeal of the benefit changes enacted in 1977, as is suggested in a number of the bills that have been introduced in the current and past two Congresses, would carry enormous costs and resurrect the major policy issues that led to the legislation in the first place. Even legislation intended merely to ameliorate the notch, by allowing retirees becoming newly eligible during the current and following decades to make greater use of the old rules, carries costs approaching $100 billion during the next six or seven years alone, possibly threatening the modestly secure financial condition of the system and also exerting enormous adverse pressure on the already troublesome federal budgetary situation.[1]

Nonetheless, more than 7 million workers born after 1916 have filed for retirement benefits during the past six years.[2] Some suffered no loss from using the new rules, and others came out ahead, but many have complained vigorously about the notch and have consequently imposed considerable pressure on their elected representatives to redress the inequity. Lack of action can be perceived as lack of interest or ineffectiveness, while support of proposed legislation that threatens the financial condition of the system and might add tens of billions of dollars to already bloated

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federal budget deficits smacks of fiscal irresponsibility of a high order. Thus, for many members of Congress, the situation poses a complex political problem.

This legislative analysis describes what the notch problem is and how it arose, emphasizing the reasons for and the nature of the legislation that caused it. It elaborates on the dimensions and character of the inequity, illustrating a number of ways in which it can be viewed. Finally, it discusses a number of bills pending before Congress to deal with the problem and provides arguments for and against enactment of such measures.

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BACKGROUND

> I would like to make it clear that no individual has his or her benefit raised or lowered by the notch. It is a matter of a difference in benefits between two individuals who by accident of birth fall on different sides of an arbitrary date set in the 1977 amendments.[3]

FRAMING THE ISSUE

At first glance the notch is a seemingly blatant example of inequity, rarely seen in social security amendments, in which people with very similar work histories wind up with very different benefits simply because they were born a year or two, a few months, or even as little as a few days apart. How big a difference? In one extreme case recently cited by Representative Edward R. Roybal (D-Calif.), a sixty-seven-year-old Iowa woman would, if she retired on her own record today, receive benefits that are 31 percent lower because she happened to be born on February 12, 1917, rather than on December 31, 1916. That six-week difference in her birth allegedly means that she would receive $160 a month less in benefits for the rest of her life.[4]

How could Congress enact legislation that produced such a large difference based merely on whether someone was born before 1917 or after 1916? Birth dates are not a measure of contributions to the social security system, nor do they imply social merit. "Why," asks the recipient receiving the lower benefits, "should John Smith down the street get $100 more a month than I for life because he is a little older? I worked next to him in the plant for years. We had the same jobs, earned the same wages, and paid the same amount of social security taxes. Tell me how this is fair."

In a sense the notch problem adds a new layer to a broader, more pervasive issue. Where doubts and uncertainty pervade opinion poll findings of how younger workers feel about the future of the social security system, the notch issue has introduced an element of disenchantment among an older, seemingly more trusting generation, relatively confident that the government would not capriciously alter its social security commitments to them and certainly not in an abrupt manner that leaves one

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group of people less well off than another.[5]

It is also no coincidence that veterans' groups have picked up the issue. Many of those who perceive themselves as being unjustly penalized —having been told they are because they were born from 1917 to 1921, the so-called notch years[6]—are World War II veterans who wonder why they, of any group, are being asked to take lower benefits from their government.[7]

What kind of law creates this situation?

The fact is that no one wanted the notch to occur. Nor was it an anticipated but unfortunate consequence of needed legislation. It was an unanticipated side effect of badly needed legislation. It arose out of a complicated set of changes in the way social security benefits were to be computed in the future—changes needed because without them the system would have become grossly unaffordable as a consequence of paying greatly elevated (and, by most accounts, excessive) benefits to future recipients.

Social security benefits had been determined through a single table of benefits in the law that matched different average career earnings with different benefit amounts. Amendments enacted in 1972 and 1973 made benefit increases payable automatically as the cost of living rose; every time a benefit increase was given, every benefit amount in the table was raised. Because all social security benefits were determined from this single table of benefits, the benefit increases given to existing recipients were also built into the benefits that future recipients would receive, even though their benefits would have reflected inflation in any event through the rising wages they received during the intervening years. In effect, by building current benefit increases into the eventual benefits of people still in their working years, the 1972–1973 amendments created a sort of double adjustment for inflation for future recipients.

If the 1977 changes had not been made, many people retiring after the turn of the century would have received benefits well in excess of their preretirement earnings. And paying benefits that would be higher than a recipient's earnings from work was a clearly untenable policy.[8]

Thus the benefit changes enacted in 1977 were not directed just to people born from 1917 to 1921 but to everyone born after 1916. Those born from 1917 to 1921 were made eligible for certain special benefit rules that in some instances actually made them better off than those born after 1921 as well as those born before 1913. When the current benefit levels for successive groups of new retirees of the past ten years are observed, it quickly becomes apparent that the term "notch" is a misnomer. There is no question that the benefits currently paid to people who reached age sixty-two (the first age of eligibility for retirement benefits) in 1979 are in many cases notably lower than they would be if these people had become

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eligible the previous year, but generally they are not lower than the current benefits being paid to people who first became eligible in 1974 or earlier.

In reality the notch recipients who perceive unfair treatment are comparing themselves with earlier recipients who may have received too much from the system. The groups of new recipients who immediately preceded those in the notch years may have reaped windfalls by being permitted to use the old benefit rules without limitation. Those benefit rules were faulty—few experts disputed this fact in 1977.[9] But Congress permitted people who had just become eligible and those who would become eligible in 1978 to continue to use them so that their retirement incomes would not be changed abruptly or their retirement plans disrupted.[10]

That generosity set the stage for the notch issue. Whether the notch recipients are being unjustly penalized or earlier retirees are receiving windfalls does not matter much to those now receiving lower benefits—to them the difference is clearly unacceptable, especially from a system in which they perceive their benefits to have been earned as a matter of right through years of contributions.

What Is the Notch?

A common misperception of the notch is that an individual could have avoided it if he or she had been eligible for social security before 1979 and had chosen to file for benefits then. The fact is that the choice of a particular retirement or filing date has nothing to do with it.

The notch is a benefit difference that results from a person's being born before or after a particular date. People who reached age sixty-two before 1979—that is, who were born before 1917—have their social security retirement benefits computed under rules that were generally effective before enactment of the Social Security Amendments of 1977. Whether they chose to file in 1977 or decided to wait until 1987, the old rules apply to them. People who reach age sixty-two in 1979 or later—that is, who were born after 1916—have their benefits computed under rules prescribed by the 1977 amendments.

The fact that different benefit rules apply to people of different ages is not itself an issue. And the fact that different amounts of benefits are paid to different generations of recipients is not an unusual outcome of amendments to the social security program. It would probably be hard to find a set of social security amendments among the fifteen or more enacted since 1935 that did not include at least some provisions having the result of treating certain age groups differently.[11] It would also be hard, however, to find a previous change in the benefit rules that created such a large and readily visible difference in benefits for such a large number of people so close to one another in age.

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The 1977 benefit computation changes were deliberately designed to produce lower benefits than the old law. According to the 1977 reports to the House of Representatives from the Committee on Ways and Means and to the Senate from the Committee on Finance, the creation of new benefit computation rules that would produce benefits below those that would have arisen under the old law was a major ingredient in restoring the long-range financial well-being of the social security system.[12] Both committees approached the issue with similar provisions, which established 1979 as a pivotal year. The bills they drafted were designed to produce long-range benefit levels that would be lower, relatively speaking, than those projected to arise under old law for people becoming newly eligible for benefits in January 1979. The House bill set them approximately 5 percent lower, the Senate bill approximately 2.5 percent lower. In conference the House-passed levels were agreed to and subsequently became the law.[13]

What does "relatively speaking" mean? Was Congress really trying to establish future benefit levels below those that would exist in 1979? Wouldn't this mean that future retirees would be far behind as inflation eroded the value of the dollar?

Actually, the committees were not pegging future benefits to lower dollar amounts than would be payable in 1979. They were attempting to establish a stable long-run relation between a recipient's benefits and his or her preretirement earnings.[14] The idea was that the value of benefits in relation to earnings at the time of retirement should not change from one generation of retirees to another.

Experts in the retirement and pension field refer to this relation as a replacement ratio or replacement rate. It is the percentage of recipients' earnings from work that are replaced by the retirement benefits they receive.

The new benefit computation rules adopted in 1977 were intended to produce long-range replacement rates for the social security system that would not change over time. Congress agreed to a set of procedures that when fully implemented would result in replacement rates about 5 percent lower than those expected for workers retiring at age sixty-two in 1979.[15] As wage levels rose, benefits would also go up, but the relation of the initial benefits of future retirees to the earnings they had received just before retiring would always be the same.

The replacement rate for a worker retiring at age sixty-two in 1979 who earned average wages steadily during his working years was projected to be 44 percent (ignoring reductions made because of retirement before age sixty-five). The 1977 report to the House by the Ways and Means Committee showed that similarly situated workers retiring at age sixty-two in later years could always expect to receive a replacement rate of 43

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percent (once again, ignoring the early retirement reduction) and stated that the committee had deliberately established this lower rate because it felt that the growth in replacement rates that had occurred in the five-year period since 1972 was unintended.[16]

There was thus nothing accidental about the fact that the benefit rules prescribed by the 1977 amendments would produce, on the average, lower benefits for future recipients than the old rules. What was unplanned was the sudden effect of the new rules. The transition measures incorporated into the 1977 amendments did not produce a smooth transition to the new rules in the dollar amounts of initial benefits that would be paid to successive groups of new retirees in the first few years after enactment.

The idea of applying the new rules on the basis of whether or not someone had become eligible—reached age sixty-two—by the effective date of the change in the rules was not wholly arbitrary. It was done so that a worker's decision to choose a particular date to retire or file for benefits would not be influenced by whether he or she would be subject to a different set of benefit computation rules. The intent was to avoid having the change in the rules cause either a rush to apply for benefits before the effective date of the change or a delay on the part of those who would be advantaged by the new rules. It also avoided the inequities that might result if some people could choose an optimum point to file because they were aware of the change in the law while others could not because they were unaware of the change.[17]

Although there appears to be no explicit statement in the legislative history, Congress probably anticipated that even though it was cutting benefits for new recipients from what they would have been under the old law, the actual dollar amounts of benefits they would receive would be slightly higher than those of the groups retiring before them.[18] Ordinarily it would have been reasonable to expect the benefits of each successive group of retirees to be slightly higher simply because wages tend to rise over time and those higher wages ultimately result in higher social security benefits. Moreover, the goal of the new benefit rules was only to remove an overadjustment for inflation, and there were grandfathering and transitional provisions built into the new law for those in or approaching retirement. What appears to have been unforeseen, for lack of analysis showing year-to-year benefits under the pending legislation, was that many people becoming newly eligible in the first few years after the new rules became effective would actually get a lower dollar amount of benefits than people who became eligible in the few years just preceding the effective date.[19]

These lower benefits have nothing to do with how much an individual worked during his lifetime in jobs covered by the social security system. They have nothing to do with how much the individual paid in social

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security taxes during his working years. Nor can it be said that they evolved from a desire to achieve a particular social welfare objective. Thus, although the decision to apply the new rules to people of a given age and younger was not completely arbitrary, the resulting benefit differences were.

The Old Rules and the New Rules

In what way did the new rules produce lower benefits than the old rules? Actually, not everyone who used the rules prescribed by the 1977 amendments received lower benefits. Some people got higher benefits. They are not the norm. They illustrate, however, that although the transition provisions may not have worked well, their effects were not uniformly unfavorable to people born from 1917 to 1921.

As the transition to the new system was designed, the retirement benefits of anyone born from 1917 to 1921—that is, anyone who reached age sixty-two from 1979 to 1983—were computed under both the new rules and a set of modified old rules referred to as the transitional guarantee. The Social Security Administration was to use whichever method produced the higher amount to determine what these first few groups of newly affected retirees were to receive.

According to an analysis done in 1981 by the Office of the Actuary of the Social Security Administration, many people who became newly eligible and entitled to benefits in the first three years after the new law became effective received higher benefits by using the new rules than if they had used the transitional guarantee method. Although a number of alternative new methods were created by the 1977 amendments, the basic one—the so-called indexing method—was advantageous for 44 percent of the men and 34 percent of the women who became eligible and filed for retirement benefits in 1979.[20] The benefits of these initial users of the new rules—largely people who retired at age sixty-two—were not always higher than the unencumbered old rules would have produced, but it is likely that a very large proportion of them were. Those recipients have not complained about any "upwards notch," for obvious reasons. The point is that not everyone whose birth date falls into the so-called notch years was unjustly penalized by a sudden change in the rules.

The transition to the new system did not work well, because some people received substantially lower benefits than they would have received if they had been able to use the old rules. It was recognized in 1977 that initially some people would get more from the new rules and some would be largely unaffected, but that people would get markedly lower benefits was not expected. The transitional guarantee was supposed to guard against such sharp reductions, at least in principle.

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Would it be correct, then, to surmise that the notch is the consequence of the transitional guarantee's failing to operate properly? That provides only a partial explanation. Failure can also be attributed to the fact that the limitations built into the transitional guarantee on how the old rules could be used were not applied to earlier groups of social security retirees, those who were born before 1917. Although the transitional guarantee was supposed to minimize the reductions from benefits under the old law for persons born from 1917 to 1921, the limitations required with its use did not apply to people born in 1916 or earlier and therefore did not guard against excessive benefit growth for those recipients.

In effect, the transition to the new system comprised two stages, not one. No limitation (on the use of the old rules) would apply to anyone who had already reached aged sixty-two by 1977 or would reach age sixty-two the following year, regardless of when those people joined the retirement rolls. Special but less generous rules (the transitional guarantee) would be available to people who were fifty-six to sixty years old in 1977, if the new rules would affect them too adversely. And people then age fifty-five or younger would have to use the new rules without exception.

In a sense people born in the so-called notch years had advantages that younger workers were not given. Had they not been able to use the transitional guarantee, their benefits—derived under the new rules—would have been considerably smaller than they were, and the prevalence and magnitude of the perceived benefit notches would have been even greater.

How did the transitional guarantee work? It was essentially the old method of computing benefits with two limitations. One was that earnings occurring in the year a worker reached age sixty-two or later could not be used in determining benefits. Such earnings could have been used under the old law, and if using them raised a person's average earnings, higher benefits would have resulted. Under the new law new retirees could count these earnings if they had their benefits computed under the new rules but not if they used the transitional guarantee. They were, however, permitted to use the transitional guarantee at first without these earnings and subsequently switch to the new rules if their earnings after age sixty-one later made the new rules beneficial. The intent was to make it advantageous for people who continued to work past age sixty-one to use the new method and thus to shift as many people as possible into the new system quickly.[21]

The second limitation was that benefit increases occurring before the year a worker reached age sixty-two would not be factored into his or her initial benefits. What this meant was that a worker's benefits would first be determined from the benefit table in effect in 1978. If the worker did not reach sixty-two until 1982, benefit increases given during the 1979–1981 period would not be built into his or her initial benefits, as they would have

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been under the old rules. This was one of the essential components of the new rules as well. In fact, it was the major feature of the new rules that removed double indexing from social security benefit computations.

Given these limitations, what was it about the new rules that still made the transitional guarantee advantageous for some people? It was the indexing of a person's earnings history. Under the new rules, earnings of every year in a worker's earnings record after 1950 and until the year a worker reaches age sixty would be raised or indexed by the growth in the national average wage. This was done not so much to deal with the problem of double indexing as to remove distortions or inequities in benefits caused by the general rise in wage levels over a person's working years. Since national wage levels tend to rise over time, earnings that occur early in one's lifetime appear to be very small when one looks back at them at the time of retirement. If a person had worked at the same job a few years before retiring, those wages would have been much higher because of inflation and productivity increases that occurred over the years even though the real value of the wages had not changed much. Wage indexing of earnings histories was adopted as a means of lessening this distortion.[22]

This change by itself obviously would have pushed everyone higher up into the benefit table. The new rules abandoned the benefit table, however, substituting instead a benefit formula. Once a person's average indexed earnings were determined, a three-step benefit formula would be applied to them. The social security actuaries developed this formula so that, when coupled with the indexing of earnings histories, the resulting initial cost of newly awarded benefits (that is, in 1979) would be slightly lower, on the average, than it would have been under the old rules.

In effect, these new rules, which indexed earnings histories yet left average new benefits about where they otherwise would have been, redistributed the social security pie. Average benefits would be the same, but some people would get more and others less, depending on how the wage indexing of earnings histories affected them. People who reached their earnings potential early in life would have an advantage, and those who reached it late in life would be at a disadvantage. The differences from old law benefit levels could be very large in some cases.

The availability of the transitional guarantee to people who reached age sixty-two shortly after the new rules were made effective (in the 1979–1983 period) was intended to mitigate the differences where they would have resulted in large benefit losses.

The transitional guarantee did make a notable difference for many recipients, particularly in the first year or two after the new law became effective, that is, for persons reaching age sixty-two in 1979 and 1980. The previously mentioned actuarial analysis, for instance, showed that an average steady earner retiring at age sixty-two in 1979 received $383.10 a

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month in January 1979 under the transitional guarantee method rather than the $365.90 a month he would have received under the new indexing method. A retiree who had always earned maximum wages for social security tax purposes got $486.10 a month under the transitional guarantee rather than the $454.10 he would have received if the wage indexing method had been used.[23] Furthermore, these were not the kinds of cases where the transitional guarantee provided its largest advantage. The actuarial analysis was based on work histories that assumed steady earnings growth throughout a person's working years, but the transitional guarantee was most effective for people whose earnings spurted late in life. The extreme cases would be those in which people had no earnings in the first half of their potential working years or initially had earnings that grew more slowly than the national average but in later years had earnings that grew more quickly than the national average. These were the cases where the new rules would have caused the greatest reductions from old law levels.

Although the transitional guarantee cut the losses that many would have faced under the new rules, it still produced substantial reductions from what would have resulted under the old rules. Typically, these differences were greatest (1) for people who continued to work for a number of years after reaching age sixty-two, because their earnings after age sixty-one could not be factored into their benefit computations; and (2) for people who had to forgo one or more of the large benefit increases of the 1979–1981 period because they reached age sixty-two after the increases were put into effect.[24]

It is sometimes suggested that the notch would not have arisen if the future assumptions about inflation around which the 1977 benefit changes were planned had materialized. Since inflation was much worse in the following four or five years than was expected, it is perceived that the benefits of those still under the old system were greatly elevated by the automatic benefit increases provided in the 1979–1981 period and that the omission of these large increases from the benefits of those required to use the new rules caused or greatly exacerbated the notch. It is true that the dollar differences between the benefits determined under the old and the new rules were somewhat larger because inflation was more acute. Even if the inflation assumptions made in 1977 had turned out to be accurate, however, the notch would have existed, and in percentage terms the benefit differences it created would not have been much smaller than those that arose. The fact is that the notch arose directly from the provisions enacted in 1977, not from the unexpected economic conditions that followed.

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Proposed Legislation and Other Measures

Four directions could be taken in response to the notch problem. One is to do nothing—to ride out the storm. The people perceiving themselves as having been adversely affected are a closed group of recipients. The new benefit computation rules do not appear to carry the same pitfalls as the transitional provisions, and large benefit differences between successive groups of new retirees in the future are not likely to arise again. The notch could be viewed as an unfortunate, one-time problem with the system.

Many of the people who perceive themselves as having been unjustly penalized, however, can be expected to receive benefits for another fifteen, twenty, or more years into the future, and the notch would be a permanent part of their benefits. If Congress believes that it must respond to the problem, three forms of legislation are possible. One would be to equalize up—that is, to raise benefits for those who feel aggrieved. A second would be to equalize down—that is, to reduce the benefits of those who may have received windfalls. The third would be to refund a portion of the social security taxes of those who feel that their benefit rights have been abrogated.

Bills Introduced in Congress

Twenty-one bills and resolutions addressing the notch problem were introduced in the 98th Congress, sponsored by more than 150 members of the House and Senate. In the first six months of the 99th Congress, ten bills and five resolutions were introduced to deal with the issue (table 1). Nine of the bills would directly alter the way benefit computations are made. All of them are of the equalizing-up variety. Four of the five resolutions and one bill would require the administration to study the problem and make recommendations to solve or mitigate it. One resolution would call upon Congress to make a specific expression about its perspective on the matter.

Although concern in Congress about the notch is widespread and bipartisan, no action was taken on any of the bills introduced in the 98th Congress, and at the end of June 1985 no action had been taken in either

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TABLE 1
NOTCH BILLS INTRODUCED IN CONGRESS, 1985

Number of Bill or Resolution	*Sponsor*	*Date Introduced*
	Bills that raise benefits for notch recipients	
H.R. 65	Rep. Michael Bilirakis (R-Fla.)	January 3
H.R. 401	Rep. James H. Quillen (R-Tenn.)	January 3
H.R. 732	Rep. George C. Wortley (R-N.Y.)	January 24
H.R. 920	Rep. Barney Frank (D-Mass.)	February 4
H.R. 921	Rep. Barney Frank (D-Mass.)	February 4
H.R. 1118	Rep. Don Fuqua (D-Fla.)	February 19
H.R. 1744	Rep. Richard C. Shelby (D-Ala.)	March 26
H.R. 1917	Rep. Edward R. Roybal (D-Calif.)	April 2
S. 1060	Sen. Alfonse M. D'Amato (R-N.Y.)	May 2
	Bills and resolutions to study the notch	
H.R. 1916	Rep. Christopher H. Smith (R-N.J.)	April 2
H. Con. Res. 18	Rep. Joe Moakely (D-Mass.)	January 3
H. Con. Res. 41	Rep. Norman F. Lent (R-N.Y.)	January 30
H. Con. Res. 42	Rep. Marilyn Lloyd (D-Tenn.)	January 30
S. Con. Res. 24	Sen. Mack Mattingly (R-Ga.)	March 5
	Sense of Congress resolution that notch recipients should not be affected by a COLA freeze	
H. Con. Res. 96	Rep. Robert J. Mrazek (D-N.Y.)	March 21

body of the 99th Congress or in either the House Ways and Means or the Senate Finance Committee, the two committees that have primary jurisdiction over legislative matters affecting the social security program.

Proposals to Lengthen the Transition to the New System

H.R. 1917, H.R. 732, H.R. 1744, and S. 1060. Thus far, the bill receiving the greatest interest in the current Congress is H.R. 1917, introduced by Representative Edward R. Roybal (D-Calif.), chairman of the House Select Committee on Aging. It was first introduced in the 98th Congress as H.R. 4093, more than sixty members of Congress joining Representative Roybal as cosponsors. More than ninety members of the current Congress have already cosponsored H.R. 1917.

Other, virtually identical bills introduced are H.R. 732, by Represen-

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tative George C. Wortley (R-N.Y.), H.R. 1744, by Representative Richard C. Shelby (D-Ala.); and S. 1060, by Senator Alfonse M. D'Amato (R-N.Y.).

These bills attempt to lessen the notch problem by lengthening the transition period to the new system indefinitely and liberalizing benefits computed under the transition rules.[25]

Under current law the transition option—under which the higher of the transitional guarantee or wage-indexed benefits are payable—ended with those who reached age sixty-two in 1983. Retirees reaching age sixty-two in 1984 and later years cannot use the transitional guarantee method. Since the transitional guarantee became less beneficial for each successive group of retirees reaching age sixty-two during the five-year transition period and since most workers retire at or before reaching age sixty-five, the transitional guarantee is now being used by only a small number of people filing for benefits.

Under the pending bills the transitional guarantee would not be phased out for fifteen to twenty years. It would not be until some time after the turn of the century that the new wage-indexing method of computing benefits would be uniformly applicable to new retirees.

The bills would extend the use of the transitional guarantee method (once again as an alternative to the wage-indexing method) to retirees reaching age sixty-two in 1984 and later. In addition, for purposes of computing transitional guarantee benefits, they would index the 1978 benefit table to reflect all benefit increases given after 1978. This, in effect, would negate the 1977 provision that precluded benefit increases from being reflected in benefits until a worker reached age sixty-two.

They would also allow a worker using the transitional guarantee to include three years of earnings received after 1978, up to $29,700 a year, in determining average wages even if the earnings occurred when a worker was age sixty-two or older.

They further include a liberalization, going even beyond the old rules, that limits to twenty-five the number of years used to compute a person's average earnings under the transitional guarantee. This, for instance, would allow a retiree with a forty-year work history to drop fifteen of his or her lowest earnings years. The provision would benefit workers reaching age sixty-two in 1982 and later, who under current law have to use an averaging period ranging from twenty-six to thirty-five years.

The bills would limit the more liberal transitional guarantee to workers who, by 1978, had already earned twenty-seven quarters of social security coverage (that is, who had at least 6¾ years of covered employment by then). It could not be used at all in computing auxiliary benefits for members of a worker's family. All the bills would make the new transition rules retroactively effective to 1979.

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H.R. 65. This bill, introduced by Representative Michael Bilirakis (R-Fla.), attempts to lessen large benefit disparities between groups of new recipients by prescribing special criteria for how the secretary of health and human services is to adjust the benefit formula each year under the new wage-indexing rules. The bill requires that, before October of each year, a projection be made of the replacement rates for hypothetical new recipients becoming entitled the following year who over their working years steadily earned minimum, average, and maximum wages (that is, maximum for social security tax purposes). The secretary is then required to prescribe a benefit formula for the following year's new eligibles that would keep the replacement rates for those hypothetical cases within five percentage points of the replacement rates of similarly situated workers who became newly entitled in 1979. The bill would apply to all present and future recipients, although no retroactive payments would be made.

H.R. 921. This bill, introduced by Representative Barney Frank (D-Mass.), attempts to lessen the benefit disparities between the old and the new law for recipients who continue to work after reaching age sixty-two. The bill would increase by 4 percent per year (⅓ percent per month) the benefits computed under the new rules for people who do not immediately file for benefits at age sixty-two, or who have them completely withheld by the social security earnings limitation. Benefits could be increased to a maximum of 12 percent, depending on the number of months between age sixty-two and sixty-five that the person did not receive them. The bill attempts to lessen the number of cases for which the present transitional guarantee would produce higher benefits than the new wage-indexing rules. The bill would apply to all present and future recipients, although no retroactive payments would be made.

Proposals to Restore the Pre-1977 Benefit Rules

H.R. 401, H.R. 920, and H.R. 1118. These bills, introduced by Representative James H. Quillen (R-Tenn.), Representative Barney Frank (D-Mass.), and Representative Don Fuqua (D-Fla.), address the problem by making the old benefit computation rules, without any limitations attached, a minimum floor or guarantee. Although the bills are not identical, they would all give recipients the higher of the benefits computed under the new rules or the unencumbered old rules. For those who became eligible in the first few years after the 1977 benefit changes became effective (1979 to 1981 or 1982), the new wage-indexing rules would still result in higher benefits in some cases than the old ones. Ultimately, however, these bills would restore the old rules for most or all future recipients, including disability recipients as well as retirees and survivors. The bills would not

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provide retroactive payments but would raise the benefits of current recipients who have joined the program since 1979.

Proposals to Study the Matter

House Concurrent Resolutions 18, 41, 42; Senate Concurrent Resolution 24; and H.R. 1916. Although many members of Congress would like to resolve the notch problem immediately, the complexity of the issue has made some of them hesitant about cosponsoring one or another of the bills that directly alter the benefit computation rules or offering remedies of their own. As a consequence, four resolutions and one bill have been introduced seeking advice and direction from the commissioner of social security or the secretary of health and human services. The measures seek to draw on the technical expertise of the staff of the Social Security Administration to identify those who have been adversely affected by the change in the rules and to flesh out solutions that would lessen the benefit disparities.

The most popular of the study measures, H.R. 1916, introduced by Representative Christopher H. Smith (R-N.J.), has attracted nearly sixty cosponsors, including a number of members who have also sponsored or cosponsored some of the bills that would make immediate changes in the benefit rules. The bill directs the secretary of health and human services to conduct a study and submit a report to Congress within six months that would include a detailed analysis of the notch and its effects on recipients, an analysis of the possible effects of H.R. 1917 (Chairman Roybal's bill), and an analysis of other measures that the secretary believes would effectively deal with the problem.

House Concurrent Resolution 96. This resolution, introduced by Representative Robert J. Mrazek (D-N.Y.), would call upon the Congress to state that those affected by the benefit notch have suffered inequitable treatment under the new law. It would do so by having Congress, through enactment of a resolution, state that it is the sense of the Congress that any freeze on cost-of-living adjustments that might be imposed on social security recipients this year would not affect those born in 1917 and later who were adversely affected by the new benefit rules enacted in 1977.

Other Possible Measures

Although not reflected in bills introduced in Congress, a number of other ideas have been suggested to mitigate the notch problem.

Count earnings after age 61. Under this proposal recipients whose benefits were determined by the transitional guarantee would be permitted

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to count the earnings (or portions thereof) they had in and after the year they reached age sixty-two. The 1978 benefit table would still apply to them, and, as under current law, any benefit increases that became generally effective in 1979 and later years could not be factored into their benefits until the year they reached age sixty-two. Thus people who reached aged sixty-two in 1983 and continued to work through 1984 could have their 1983 and 1984 earnings counted in figuring their benefits, as well as benefit increases that occurred in 1983 and 1984. The benefit increases that became effective in 1979 through 1982 would not be considered, however, as under the current rules.

Count certain benefit increases that would currently be excluded. Under this proposal recipients using the transitional guarantee would be able to have the benefit increases (or portions thereof) that occurred during the transition years—1979 through 1982—factored into their benefits, including increases that occurred before they reached age sixty-two. Thus, for example, recipients who reached age sixty-two in 1983 would have the benefit increases that became generally effective in the 1979–1982 period factored into their current benefit levels. Earnings they may have had in 1983 or later would still be excluded, as under the current rules.

A related but less expensive measure would be to factor only a portion of the benefit increases before age sixty-two into the benefits. One such approach would be to factor in only the portion that exceeded the future inflation assumptions made for the 1979–1982 period when the 1977 amendments were enacted—the rationale being that the benefit disparities causing the notch are in part the result of giving greater than anticipated benefit increases to people who were unaffected by the new rules. Another would be simply to devise ad hoc increases to supplement the benefits computed under the transitional guarantee so that the average benefits of each successive group of new retirees are no lower than those of the preceding group.

Freeze social security benefits for one year for certain recipients who reaped the largest windfalls from the old system. People who gained the most from being able to use the old benefit rules without limitation were those who reached aged sixty-two in 1977 and 1978. Under this proposal people who reached age sixty-two in these years would not receive a coming benefit increase that would otherwise be payable under the automatic cost-of-living adjustment provisions. This would lessen the differences in their current benefits from those of recipients who reached age sixty-two before and after them.

Refund a portion of the social security taxes of those who were unable to count their earnings after age sixty-one. Under this proposal people who had

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to use the transitional guarantee and had earnings at age sixty-two or later but were unable to count them would receive a refund of part of their social security taxes. One such approach would simply allow a refund equal to the taxes paid in those years in which earnings could not be counted. Another would refund a percentage of the estimated taxes they paid over their working years reflecting the percentage difference in their monthly benefits caused by being unable to count earnings after age sixty-one.

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Issues and Arguments

Arguments for Taking Legislative Action

Regardless of the worthy goals and financial necessity of the benefit computation changes enacted in 1977, people born after 1916 were required to use benefit rules that for many resulted in substantially lower benefits than they would have received if they had been born a few years earlier. Very sizable differences arose at all benefit levels. Table 2, for instance, shows the benefit differences that currently exist between workers reaching age sixty-two in December 1978 and in January 1979 who throughout their work histories earned low, moderate, or relatively high wages.

Moreover, the benefits provided to each successive group of new retirees reaching age sixty-two in the 1979–1985 period were frequently lower than those of similarly situated retirees who preceded them. In other words, notches occurred repeatedly throughout the phase-in period for the new system. Table 3 shows the current benefits being paid to retirees with various earnings histories who worked steadily throughout their working years and retired at age sixty-two or, alternatively, at age sixty-five at particular points during the 1978–1985 period. Although the downward trend for successive groups of workers who chose to retire immediately on reaching age sixty-two appears to have abated within the first few years of the phase-in period, generally the later a worker reached age sixty-two during the early years of the new system, the lower his or her benefits are likely to be today, particularly if he or she continued to work after reaching age sixty-two.

Exacerbating the complaints over these disparities is the fact that members of each successive recent group of newly eligible recipients are likely to have paid a greater amount of social security taxes over their lifetimes than the groups that preceded them. Both the social security tax rate and the maximum amount of earnings subject to the tax each year have risen very substantially over the past thirty years, as have the wages prevailing in the economy on which the social security tax is levied. Thus many people complaining about the notch perceive a dual injustice of

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TABLE 2
CURRENT MONTHLY BENEFITS FOR WORKERS REACHING AGE 62 IN DECEMBER 1978 AND JANUARY 1979
(dollars)

	Worker Who Reached Age 62 in December 1978	*Worker Who Reached Age 62 in January 1979*
With history of low wages[a]		
Retired at age 63	371	354
Retired at age 65	460	408
With history of average wages[b]		
Retired at age 63	568	533
Retired at age 65	727	615
With history of high wages[c]		
Retired at age 63	721	677
Retired at age 65	908	781

a. A history of low wages is assumed to be one in which the worker always earned the federal minimum wage.
b. A history of average wages is assumed to be one in which the worker always earned amounts equal to those contained in the Social Security Administration's average wage series used for indexing various features of the social security program.
c. A history of high wages is assumed to be one in which the worker always earned amounts equal to the maximum earnings subject to the social security tax each year.
SOURCE: Calculated from estimates contained in Actuarial Study no. 86, "Effects of the Various Social Security Benefit Computation Procedures," Office of the Actuary, Social Security Administration, July 1981. Estimates contained in table 8 of the study were indexed to reflect the benefit increases that would have occurred between the month of retirement and January 1985.

receiving lower benefits while having paid greater taxes to support the system.

In addition, the notch is not seen as affecting only a small, isolated group of recipients. It is viewed as a generalized loss of benefits that affects virtually every segment of the recipient population that became newly eligible after 1978. Of a little more than 10 million people who filed for benefits as retired workers from January 1979 to March 1985, more than 7 million still on the rolls in April 1985 were born after 1916 and had to use one or another of the new sets of benefit rules enacted in 1977.[20] Not all of them suffered losses, but the considerable publicity the notch problem has received has nurtured the perception that people born from 1917 to 1921 are generally not getting their fair share from the social security program.

It is likely that this has had a deleterious effect on public opinion about the program and the ability of Congress to manage it effectively. Lack of

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TABLE 3

MONTHLY BENEFITS IN 1985 OF WORKERS RETIRING IN 1978–1985
(dollars)

Year in Which Benefits Began	*Work History*		
	Low wages[a]	Average wages[a]	High wages[a]
	Worker who retired at age 62[b]		
1978	319	482	606
1979	326	492	624
1980	310	462	588
1981	295	439	552
1982	295	430	546
1983	295	441	563
1984	299	449	578
1985	302	455	591
	Worker who retired at age 65		
1978	412	627	787
1979	421	643	808
1980	433	659	836
1981	442	681	865
1982	408	615	781
1983	394	592	759
1984	373	561	728
1985	369	548	717

a. For a description of what is meant by low, average, and high wages see notes a, b, and c of table 2.
b. Benefits for workers retiring at age sixty-two have been reduced by 20 percent to reflect actuarial adjustments for early retirement.
SOURCE: Calculated from data in unpublished tables formulated by Orlo Nichols of the Office of the Actuary of the Social Security Administration, March 29, 1985.

faith in the future of social security is hardly a new finding in opinion surveys of younger people. Lack of confidence in the system among the elderly, however, would be a particularly disturbing phenomenon since they have already reached the point in their lives when receipt of benefits is a reality, not something that may or may not happen in some distant future. Such a finding recently emerged in a summary of surveys conducted by Yankelovich, Skelly, and White for the American Council of Life Insurance. It showed that since 1982 a rising proportion of people in the age groups fifty-five to sixty-four and sixty-five and older were not confi-

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dent about the future of the social security system."

The report showed that 57 percent of those polled in September 1984 in the fifty-five to sixty-four age group were not confident about the future of the system, up from 43 percent in 1981. Of those sixty-five and older, 51 percent reported a lack of confidence, up from 26 percent in 1981.

What accounts for these findings? No one factor jumps out. The social security system had repeatedly been plagued with financing problems from 1974 to 1983, with enormous press coverage emerging in the latest episode, which led up to the social security amendments of 1983. Those amendments were signed into law in April 1983 and were widely reported as resolving the system's financial woes for many years into the future. Even with the repeated reports of financial problems preceding those amendments, the Yankelovich surveys suggest that the confidence of these older age groups remained relatively stable during the period 1978–1982.[28] The decline seems to have started in 1982 and continued through the last survey taken, in September 1984. The actual implementation of the 1983 amendments, which delayed the July 1983 cost-of-living adjustment to January 1984, and the provision calling for partial income taxation of benefits beginning in 1984 might provide a partial explanation. Those were changes that recipients felt, not just read about. And certainly the elimination of the minimum benefit beginning with those who became eligible in January 1982, the phasing out of the student benefit, and the tightening up of the disability program were among other, earlier changes that similarly had an immediate effect on the recipient population and might provide a further explanation.

The notch cannot be ignored, however, as another possible contributing factor. The notch gained greater prominence in the media as the transition to the new system progressed. Veterans' organizations and other interest groups picked up the issue and discussed it regularly in newsletters and other publications circulated to their members.[29] Numerous congressional hearings, many of which were held across the country, helped to keep the issue from fading as it became more evident that neither the House Ways and Means Committee nor the Senate Finance Committee was likely to take action on the issue.

Thus many people who have called for legislative action to remedy the notch see it as contributing to a disturbing decline in the nation's faith in the system, particularly among the age groups that rely on it heavily for their income. They see it as possibly building on a series of small erosions of the program's benefits that many elderly see as broken commitments.

Proponents of taking action on the notch point out that, even though the notch does not seem to be a long-term, perennial problem, those who feel they have been unfairly treated will probably be on the benefit rolls for many years into the future. Thus the mere passage of time will not cause it

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to go away—at least not very quickly. They contend that legislative action is necessary to show that Congress is willing to respond to inequities when they arise and that even minimal changes in the benefit rules would greatly lessen the perceptions of unfairness and lack of interest and thereby reduce the pressure to make very costly reforms.

Proponents further argue that even if the problem is one of having paid too much to one or more of the groups of recipients who became eligible in 1978 and earlier, the benefit disparities nonetheless are hardly an acceptable policy outcome. Congress certainly did not intend to create the differences when enacting the 1977 changes in the benefit rules. Moreover, those who benefited from the old rules were not catapulted into some blissful state of economic security; they simply received a little more than Congress intended. And those notch recipients seeking a higher payment from the system that earlier groups received do not see themselves as looking for economic windfalls, just fair increments in their current benefits. Therefore, it is argued that inaction on the basis that the notch problem arises from having paid some recipients too much—especially when they too number in the millions—is a technical excuse that is hard to sell to many who feel that they received the short end of the stick.

Finally, proponents defend the higher program costs that would arise from various notch remedies, arguing that the financial changes enacted in 1983 and the favorable effect of the recent strong economic recovery have significantly altered the gloomy prognoses made repeatedly by the social security actuaries during the ten-year period preceding the 1983 amendments. They point to the projections contained in the past three reports from the social security trustees, which suggest that the system will generate enormous surpluses beginning in the latter part of this decade and continuing for thirty or more years (see table 4).

The restoration of the old benefit rules for all current and future recipients would create enormous costs, which could not be sustained without very large increases in the social security tax. Proponents of a longer and more generous transition to the new system, however, would argue that the notch problem could be remedied, even if the costs were relatively large, without altering the tax schedule currently in the law and without jeopardizing the reasonably good financial outlook for the social security trust funds.

Arguments for Maintaining the Status Quo

Those who oppose altering the benefit rules to address the notch problem argue that the notch is a misleading label and that people required to use the new rules or the transitional guarantee were not unjustly penalized. They contend that it is inaccurate to view the notch as having some sort of

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TABLE 4

PROJECTED FINANCIAL OPERATIONS OF THE SOCIAL SECURITY PROGRAM, 1986–2000

Year	*Projected Income ($ billions)*	*Projected Outgo*	*Difference*	*Reserves as % of Annual Expenditures*
1986	216.4	204.5	11.9	25
1988	270.1	237.0	33.1	30
1990	328.3	273.1	55.2	54
1995	469.6	368.1	101.5	139
2000	666.1	473.2	192.9	254

SOURCE: Harry C. Ballantyne, chief actuary, "Long-Range Estimates of Social Security Trust Fund Operations in Dollars," Office of the Actuary, Social Security Administration, Actuarial Note no. 125, April 1985, p. 3. Figures in first three columns are those contained in the intermediate II-B forecast described in the actuarial study. The reserve percentages in the right-hand column were taken from the *1985 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds*, March 28, 1985, p. 70 (once again under the intermediate II-B projections). These figures are reserves at the beginning of the year as a percentage of expenditures during the year.

cliff effect, where those on the plateau above get higher benefits than those in the valley below. There is no contesting the fact that many people required to use the rules prescribed by the 1977 amendments are receiving lower benefits than similarly situated people who became eligible for benefits before 1979. The benefits of those who became eligible in the 1975–1978 period, however, are also much higher than those of people who became eligible in 1974 and earlier.

Table 5 shows the current benefit levels of successive groups of workers who retired over the period 1972 to 1985. It becomes readily apparent that a few groups of recipients who became eligible in the middle of that period benefited greatly from being able to use the old benefit rules.

The one-time windfall effect is similarly illustrated by the long-run pattern of replacement rates provided by the social security program. Although some variations occurred over the years, social security replacement rates remained fairly stable during the 1950s and 1960s. With the large benefit increases enacted in the late 1960s and early 1970s, they shot up and continued to rise throughout the 1970s because of the overindexing phenomenon. Table 6 shows that they reached a pinnacle with the group of retirees reaching age sixty-five in 1981, after which they declined. Current projections show them leveling out with new groups of retirees becoming eligible in the middle to late 1980s.

It can also be argued that all current and future recipients have benefited

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TABLE 5
MONTHLY BENEFITS IN 1985 OF WORKERS RETIRING AT AGE SIXTY-FIVE, 1972–1985
(dollars)

Year in Which Benefits Began	*Work History*		
	Low wages[a]	Average wages[a]	High wages[a]
1972	369	531	599
1973	393	540	615
1974	393	552	634
1975	382	564	658
1976	391	584	702
1977	399	603	748
1978	412	627	787
1979	421	643	808
1980	433	659	836
1981	442	681	865
1982	408	615	781
1983	394	592	759
1984	374	561	728
1985	369	548	717

Note: For workers retiring in January of each year.

a. For a description of what is meant by low, average, and high wages see notes a, b, and c of table 2.

SOURCE: Derived from unpublished tables formulated by Orlo Nichols of the Office of the Actuary of the Social Security Administration, March 29, 1985.

and will continue to benefit from the overindexing created by the automatic benefit increase provisions enacted in 1972 and 1973. Beginning in 1975 the initial benefits of each new group of retirees generally rose at a much faster rate than average wages nationwide. When Congress corrected this problem, it developed the new benefit rules in such a way that the relative benefits of all future recipients would be higher than those paid to people who became eligible before 1975. In other words, it intentionally overlooked a portion of the inadvertent real growth in benefits that had occurred as a result of the overindexing problem.

Table 7 shows how much lower benefits would have been at the time of retirement for each group of newly eligible retirees with work histories of average wages if their initial benefits had only kept up with the rise in average wages nationwide. It illustrates that every new group of average-earnings retirees in the 1975–1985 period received an advantage as a result of the overindexing but that those who reached age sixty-five in the 1980–1983 period clearly received the greatest advantage. The age group

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TABLE 6

SOCIAL SECURITY REPLACEMENT RATES, WORKERS RETIRING AT AGE SIXTY-FIVE, 1955–2000

(percent)

Year of Retirement	*Work History*		
	Low wages[a]	Average wages[a]	High wages[a]
1955	49.6	34.6	32.8
1960	45.0	33.3	29.8
1965	40.0	31.4	32.9
1970	42.7	34.3	29.2
1975	59.5	42.3	30.1
1977	57.2	44.8	33.5
1978	62.7	46.7	34.7
1979	60.4	48.1	36.1
1980	64.0	51.1	32.5
1981	68.5	54.4	33.4
1985	63.8	41.3	22.8
1990	65.2	41.8	24.3
2000	63.1	41.3	25.4

Note: Replacement rates are defined here as benefits in the first year of entitlement as a percentage of the worker's earnings in his final year of work before retirement.

a. For a description of what is meant by low, average, and high wages see notes a, b, and c of table 2.

SOURCE: Derived from unpublished tables formulated by Orlo Nichols of the Office of the Actuary of the Social Security Administration, March 29, 1985.

that benefited the most was the last one permitted to use the old benefit rules—those who retired at age sixty-five in 1981 (that is, those who reached age sixty-two in 1978).

Proponents of maintaining the status quo argue that restoring the old benefit rules for everyone is wholly impractical. The financing problem Congress was confronted with in 1977 because of overindexing was not a minor one. The 1977 changes in the benefit rules eliminated more than half of the deficit then appearing in the long-term actuarial projections. They accounted for an improvement of nearly 5 percent of taxable payroll in the average long-range deficit, which in today's dollars would be the equivalent of $80 billion per year.[30] Proponents of the status quo view the increases in the social security tax rate required by such increased costs as totally unpalatable to the nation's work force. Moreover, without a "hold harmless" provision for those who, in the first few years of the new system, received higher benefits by using the new benefit rules, many retirees

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TABLE 7

INITIAL MONTHLY BENEFIT AWARDS AND ESTIMATED AWARDS IF AWARDS HAD RISEN AT THE SAME RATE AS WAGES, 1973–1985
(dollars)

January	*Benefit Awarded*[a]	*Benefit if New Awards Rose at Same Rate as Wages*[a]	*Amount of Overcompensation*
1973	233	—	—
1974	238	248	−10
1975	270	262	8
1976	302	282	20
1977	332	301	31
1978	366	319	47
1979	400	345	55
1980	450	375	75
1981	532	409	123
1982	535	450	85
1983	553	475	78
1984	542	498	44
1985	548	500	48

Note: For workers with average wages retiring at age sixty-five.
a. Monthly benefit amount at the time of first receipt.
SOURCE: Column 1 was derived from unpublished tables formulated by Orlo Nichols of the Office of the Actuary of the Social Security Administration, March 29, 1985.

would have their benefits cut by a restoration of the old rules—and such a provision would further increase costs, so that the aggregate expenditures of the program would be higher than they would be if the 1977 amendments had not been enacted.

Opponents of action contend that even more gradual transitional approaches, such as the bill introduced by Representative Roybal, would also carry unpalatable costs. With a price tag in its first six years (1985–1990) of over $80 billion, the bill would equal in cost nearly half the financial changes that arose from the difficult benefit and taxing compromises enacted in 1983 to restore the system to a reasonably secure financial condition.[31] Even though the system's reserves are projected to be greater than $180 billion by the end of 1990, over the next three or four years the reserve cushion is estimated to equal little more than three to five months' annual expenditures—not a wide margin of safety by any historical standards.[32] A major downturn in the economy, coupled with the additional costs of a longer and more costly transition to the new system, might

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renew the financing problems that plagued the program before the 1983 amendments.

Moreover, it must be recognized that the large surpluses projected to occur over the next three or four decades would be expected, under current projections, to offset later shortfalls between social security's income and outgo (arising in the 2020s and later years) when the post–World War II baby-boom generation reaches its retirement years. Even without any further change in the system's long-term cost, an actuarial deficiency of 0.41 percent of taxable payroll (equal to about $6 billion per year in today's dollars) is projected to arise over the next seventy-five years.[33] The Roybal bill was estimated by the social security actuaries to add another 0.40 percent of payroll to that deficit.[34] Opponents of the measure, therefore, argue that justifying the higher expenditures that would arise from this and similar bills by pointing to the social security surpluses projected for the next few decades ignores the long-range deficit effects that Congress strove so hard to remove from the projections in 1983.

Even if one accepted the proposition that the social security program could absorb the added costs of a more gradual transition, opponents contend that the higher expenditures would increase the enormous federal budget deficits projected for the remainder of this decade. Social security's income might be expected to exceed its outgo, but those surplus receipts are already factored into current budget projections. Those projections anticipate borrowing by the government's general fund of the excess social security receipts, thereby lessening the amount the government must take out of the nation's private investment markets. Spending those surpluses (or a portion of them) instead would force the government to borrow more from the public to finance its other activities. Opponents conclude that there is no way to avoid the fact that increases in social security expenditures would further harm the government's overall fiscal condition.

Opponents also argue that, even setting aside the budget effects, Congress should consider reducing social security taxes, or at a minimum keeping the coming increases for 1986, 1988, and 1990 from occurring, before planning to spend the surplus receipts.[35] They point out that the social security tax load is now larger than the income tax burden required of many, if not most, of the nation's families; that it is a regressive tax; and that it has a negative effect on national employment.

Opponents further argue that talking of resolving the notch issue might be a purely academic exercise given the operational burden it would impose on the Social Security Administration. Depending on how the problem was to be dealt with, the benefits of 10 million or more recipients would have to be recomputed. That is about three times the number of benefit awards computed each year by the agency. The Social Security Administration has been under enormous strain in recent years to keep up

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with its workload, a strain that has caused considerable speculation that an operational breakdown was possible if a major overhaul of its systems was not implemented soon. That overhaul is currently under way, and forcing the agency to shift gears to recompute millions of benefit payments—many of which would probably have to be done manually—could set the needed administrative reforms back for years.

Finally, opponents argue that if a lack of confidence exists among the public, it is in part the result of irresponsible distortions of the notch problem. They contend that if advocates put as much effort into setting the facts straight about how the benefit disparities came about as they do into promoting their remedies, the public would be less critical of the disparities and more secure about Congress's ability to oversee the program.

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NOTES TO TEXT

1. Memorandum from Roy A. Ferguson, actuary, Office of the Actuary, Social Security Administration, "Estimated Short-Range Cost of a Proposal to Increase Benefits for Certain Workers Who Attain Age 62 after 1978—Information," May 3, 1985. The memorandum contained estimates of the annual cost of H.R. 1917 (introduced by Representative Edward Roybal) assuming enactment in 1985: through calendar year 1990 the cumulative cost of the bill would be $81.8 billion, with annual costs at that time running at approximately $20 billion.

2. Unpublished tables reflecting a breakdown of social security recipients for the month of April 1985 showed that of 22.1 million people entitled to retirement benefits on account of their own earnings records, more than 7 million had their benefits computed through one or another of the methods prescribed by the Social Security Amendments of 1977 for people reaching age sixty-two after 1978 (born after 1916). The Social Security Administration refers to these monthly tabulations as the 1-A tables supplement (hereafter cited as 1-A tables supplement).

3. U.S. Congress, House, Committee on Ways and Means, Subcommittee on Social Security, *Hearings on Employer Payment of Social Security Taxes; Benefit Formula Differential*, 96th Congress, 1st session, September 27, 1979, p. 3, statement of Representative J. J. Pickle (D-Tex.), then chairman of the Subcommittee on Social Security of the House Ways and Means Committee.

4. U.S. Congress, House, Select Committee on Aging, *Hearings on Reductions in Social Security Benefit Levels: The Notch*, 98th Congress, 2d session, October 31, 1984 (in Council Bluffs, Iowa), p. 50. See testimony of Darlene Frazeur of Griswold, Iowa. The record states that if she had been born in December 1916, she would have been entitled to $519 a month on her own work record, but because she was born in February 1917, she was entitled to only $359 a month on her own record. Mrs. Frazeur was also entitled to a spousal benefit on her husband's work record of $385 a month; this higher amount is what she would have received if she had filed for benefits then.

5. For an illustration of different levels of confidence in the future of the social security system by age groups, see "Social Security: Young and Old View the System's Prospects," *Public Opinion*, vol. 8, no. 2 (April/May 1985), pp. 21–24 (hereafter cited as *Public Opinion* [April/May 1985]).

6. For an illustration in the press of a characterization of the notch in the way described in the text, see "Dear Abby," *Washington Times*, September 5, 1983.

7. For an example of interest in the issue by veterans' groups, see testimony of Alvin Krank, representing the American Legion of California, U.S. Congress,

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House, Select Committee on Aging, *Hearings on Reductions in Social Security Benefit Levels: The Notch*, 98th Congress, 2d session, August 28, 1984 (Los Angeles, California), pp. 36–39.

8. For an elaboration of the necessity of changing the benefit rules to avoid this outcome, see U.S. Congress, House, *Report of the Quadrennial Advisory Council on Social Security*, House Document No. 94–75, 94th Congress, 1st session, March 10, 1975, pp. 14–15, 103–9.

9. Although they frequently recommended different remedies, most groups who testified before the House Committee on Ways and Means and the Senate Committee on Finance acknowledged the need to correct the faulty benefit rules resulting from the automatic benefit increase provisions enacted in 1972 and 1973.

10. U.S. Congress, House, Committee on Ways and Means, *Social Security Financing Amendments of 1977, Report to Accompany H.R. 9346*, 95th Congress, 1st session, October 12, 1977, pp. 3, 10 (hereafter cited as House Report on H.R. 9346).

11. One of the most commonly recognized differences in the treatment of different age groups under social security is that a recipient's benefits are not based on his or her contributions to the system. Early generations of recipients paid low taxes for relatively short periods of their working lives, but on retirement they received full benefits. This resulted from the fact that social security has been largely financed as a "pay-as-you-go" system, with tax rates set in such a way that the revenues flowing in were generally used immediately to pay for current benefit and administrative expenditures. Little excess was collected, and the small reserves of the system mostly served a contingency purpose. This method of financing was the outcome of the 1939 amendments and subsequent amendments to the program enacted in the 1940s. The result has been that as the system matures, each successive group of new recipients (and their employers) pays greater lifetime taxes for their benefits than the group that preceded them.

12. House Report on H.R. 9346, p. 7; and U.S. Congress, Senate, Committee on Finance, *Social Security Amendments of 1977, Report to Accompany H.R. 5322*, 95th Congress, 1st session, November 1, 1977, pp. 2, 19 (hereafter cited as Senate Report on H.R. 5322). The provisions of H.R. 5322 were substituted for the provisions in the House-passed version of H.R. 9346 when the full Senate took up H.R. 9346.

13. U.S. Congress, House, *Social Security Amendments of 1977, Conference Report to Accompany H.R. 9346*, 95th Congress, 1st session, December 15, 1977, p. 67.

14. House Report on H.R. 9346, pp. 22–24; and Senate Report on H.R. 5322, p. 2.

15. House Report on H.R. 9346, p. 23. See also A. Haeworth Robertson, "Financial Status of Social Security Program after the Social Security Amendments of 1977," *Social Security Bulletin*, vol. 41, no. 3, March 1978, p. 23.

16. House Report on H.R. 9346, p. 23.

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17. For a discussion on the record of these considerations, see U.S. Congress, House, Committee on Ways and Means, Subcommittee on Social Security, *Hearings on Decoupling the Social Security Benefit Structure, H.R. 14430*, 94th Congress, 2d session, June 18, July 23 and 26, 1976, pp. 77–78. This bill, then under consideration by the committee, contained the Ford administration's proposed changes to address the overindexing problem. Although the changes enacted by Congress the following year were different in a number of respects, application of the transition rules by age group was retained.

18. For support of this thesis, see minority views contained in House Report on H.R. 9346, p. 300. The statement suggests that the minority members of the committee had the impression that the dollar amounts of benefits that would be paid to new recipients in the future would not be lower than present levels. In fact, they stated that the benefits of future retirees would be higher than present levels.

19. None of the background committee prints leading up to the markups of the 1977 amendments by the House Ways and Means and Senate Finance committees or the reports by these committees to their respective bodies on their recommendations showed year-by-year benefits and replacement rates expected to arise before, in, and after the transition period. These documents largely skipped the years 1979 through 1984, which constituted the transition period, in showing the projected future benefits and replacement rates under old and new law. Generally, such data were presented in five-year intervals, leaving little or no possibility for observation of a notch effect by the members of the committees or Congress.

20. Steven F. McKay, F.S.A., and Bruce D. Schobel, F.S.A., "Effects of the Various Social Security Benefit Computation Procedures," Actuarial Study no. 86, Office of the Actuary, Social Security Administration, July 1981, p. 13 (hereafter cited as Actuarial Study no. 86). This analysis showed that 73 percent of the men and 58 percent of the women who filed for retirement benefits in 1979 used the old method—that is, they had reached age sixty-two before January 1979. In effect, 27 percent of the men and 42 percent of the women had to use one of the five new sets of benefit rules enacted in 1977 because they were born after 1916. The two sets of rules that were used by the vast majority were the new indexing procedures and the transitional guarantee.

21. House Report on H.R. 9346. See table on p. 29 of the report, which shows that an estimated 43 percent of newly eligible retirees were expected to use the transitional guarantee in 1979 but only 8 percent in 1983.

22. Ibid. See discussion "Wage Indexing of Earnings," pp. 24–25.

23. Actuarial Study no. 86, p. 18.

24. In the eleven-year period 1975 through 1985—the period in which social security benefit increases have been tied directly to the rise in the cost of living—the largest benefit increases became payable during the three-year period 1979–1981. They were 9.9, 14.3, and 11.2 percent, respectively.

25. This description of these bills is largely based on the analysis of the language of H.R. 1917 by the Office of the Actuary of the Social Security Administration as

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Memorandum of May 3, 1985, memorandum of Roy A. Ferguson, cited in note 1

26. U.S. Social Security Administration, *Social Security Bulletin*, vol. 48, no. 6, p. 55. This table of the bulletin shows that 10.3 million people became entitled to social security benefits as retired workers between January 1979 and March 1985. The 1-A tables supplement showed that approximately 7.2 million people on the rolls in April 1985 had used one or another of the five new sets of benefits rules enacted in 1977; 6.1 million of them had used either the transitional guarantee or the wage-indexing methods.

27. *Public Opinion*, vol. 8 (April/May 1985), p. 22.

28. Ibid.

29. For example, the Veterans of Foreign Wars of the United States published an article in its August 1983 issue of *Action, Washington Reporter* about the notch, intended to answer questions about how it arose.

30. House Report on H.R. 9346, table 4, p. 57.

31. Memorandum from Roy A. Ferguson, May 3, 1985. The 1983 amendments were projected to improve the financial position of the social security trust funds by about $166 billion over the seven-year period 1983–1989. Roy Ferguson's memorandum shows projected costs for Representative Roybal's bill of about $82 billion for the six-year period 1985–1990.

32. Projected under the intermediate II-B forecast of the 1985 trustees' report.

33. Ibid.

34. Memorandum from Steve Goss, actuary, Office of the Actuary, Social Security Administration, "Preliminary Estimated Long-Range OASDI Financial Impact of H.R. 4093," November 6, 1983. These estimates were based on the 1983 trustee report intermediate II-B assumptions, which did not differ greatly from the 1985 ones.

35. The total social security tax rate, including the Medicare portion, is scheduled under current law to rise in three stages from 7.05 percent each on employee and employer today to 7.65 percent in 1990.

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